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China's 'Saddle-Shaped' Economic Construction

By Wyndham Newton

The fear of runaway inflation, of which China had an experience even deeper and more salutary than Germany and the Soviet Union in the periods after the first world war and after the revolution, is still omnipresent in the minds of the Chinese people, and it is one of the major brakes on Communist finance. But Chinese Communist economists, who favour an expansion of money to correspond with the expansion of production generally, seek to restrain popular apprehensions.

Two Chinese economists, in a lengthy dissertation on the acute rise and fall—the so-called “U” or saddle-shaped economic construction—from 1956 to 1958, proclaimed that this demonstrated fully the necessity for China's adoption of the “dialectical method of positive equilibrium.” In past fiscal and financial plans, they say, serious errors have arisen. When the fiscal budget is formulated and executed, there is over-emphasis on stability and reliability—refraining from raising greater public revenue, refraining from making greater public expenditure, fear of a fiscal deficit, and fear of a strain on the supply of funds. As the rule that no fiscal surplus should be put to use is emphasised, a fiscal surplus, if any, is usually deposited with the banks. Thus the funds which should have been used in the expansion of production and construction are left idle. This approach of “mechanical and negative equilibrium,” they assert, is obviously incompatible with the policy of building socialism by achieving “greater, faster, better and more economical results.”

They urge that when a fiscal budget is enforced, attention should be given not only to the maintenance of a balance between fiscal revenue and expenditure, but to the trend of progress in the continued replacement of the old equilibrium by a new equilibrium. In the enforcement of the 1958 budget, China held to the advanced links of the big leap forward and the different favourable factors for production increase and economy. Through planned regulation the Chinese brought the budget into “an active new equilibrium by increasing the revenue for the first half of this year to 19,000m. yuan (about £2,200m.), showing an increase of about 13% over the corresponding period of 1957. Of expenditure, that for

economic construction was increased by 49.3% and that for social service, culture, education, national defence, and administration was decreased in varying degrees. This regulation and equilibrium set in motion the speedy development of production and construction. Critics contended that this would bring the country to budgetary disequilibrium, but the intensive mobilisation of the masses and the development of all kinds of potentialities at a high speed can bring immediate fruition to public finance as well, thus accumulating capital at a high speed. In such cases “we need not worry about whether the revenue to be collected can cover the expenditure.”

It is true that a fiscal deficit in the budget is bad; but neither is it good to have a fiscal surplus, because money represents goods, and a surplus indicates that part of the funds and resources are not put to good use in time—a fact which would affect the scale and speed of the national construction. The correct method to prevent a fiscal deficit is to increase production and income and to economise in the use of resources. “Only through the development of production can we enlarge the sources of our fiscal income. Therefore the fiscal authorities should throw their whole weight behind the work to help economic construction. The retrenchment of expenditure of a non-productive nature is also designed to save money for production and construction. When there is a considerable fiscal balance and more inventory than is normally required, such funds should be put to use.

Moreover, funds should be concentrated in every way possible. There are generally two kinds of funds that can be collected. One is idle funds held by the State organs, enterprises, services, organisations and schools, and agricultural

producer co-operatives; and the other the funds in the hands of the broad masses of the residents, office employees, workers, and peasants. At present the former kind of funds are deposited with the banks or credit co-ops. If the banks improve their service to the State organs, enterprises, organisations and schools, it is not very difficult to concentrate these funds. But it is the latter kind of funds which forms the larger and more important source. Thus it poses the big question of how to collect them from the broad masses. Some say that an increase in savings deposits would affect the sales of commodities and that for this reason they should not be restricted or made use of. The argument is contestable, declared these inflationary economists, because an increase in savings deposits will not reduce the amount of social purchasing power. When money is deposited with a bank, it changes only the direction in which the purchasing power will be used, i.e., it changes from the purchase of consumer goods to the purchase of producer goods. Not every office employee, worker, resident or peasant can use up all this money at once. To stabilise his life in the future, it is absolutely necessary for him to deposit a definite amount each month. Besides the total savings represent only a small percentage of the total wages received. The annual increase in savings deposits in the cities and towns all over the country equalled about 5% of the total wages received, and for the first half of this year it was 6%. It is thus urged that an increase in savings deposits will not affect the marketing of consumer goods.

Only an adequate supply of funds can ensure speedy construction and thus the method of restricting production to the target set for loans is held to be completely erroneous. Secondly, through the making of loans the Government should support with vigour the big leap forward. There are many critics of this policy and of the third point that the business policy of the commercial departments is to increase the turnover of commodities, but it is argued that with more resources available the State should increase its purchases. To extend as much credit as possible to the commercial departments will actively encourage the expansion of production and commodity turnover.

The problem of bank loans for capital construction remains to be tackled. As the primary task of the banks is to concentrate, through deposits, the idle funds of various quarters and to meet, through loans, the needs for circulating funds of individual economic departments, funds should be appropriated in the State budget for capital construction. The banks in general do not make loans for that purpose. However, if this principle is applied in a mechanical way, without any regard for the actual and objective conditions, it would be negative and one-sided. To meet the needs for funds in the development of the national economy, some loans should be extended for medium and small-scale industrial capital construction projects operated by the organs below the county level, which may bear immediate fruit, require only a small amount of investment and can repay the whole investment in about a year. The local organs also may draw up a plan and establish a special organisation to raise long-term deposits to finance such capital construction.

These inflationary policies confront the economist at once with a crucial issue. If despite an immense increase in deposits the amount of circulating funds demanded by the different economic departments in a definite period still exceeds the planned supply, may the issue of money be increased? These two economists argue that when the output and turnover of commodities are increasing, the issue of more money may be conceded "without any ill effect." It is argued in justification

that industry and agriculture are both making swift progress and turn out an increasing volume of resources and riches which may back up the new issue of money; the State organs and enterprises practise the policy of cash control; the scope of transferable accounts which the APCs open with the banks, or credit co-ops open with the banks, for marketing or purchase is growing daily, and in some places after the autumn of 1957 over 70% of the transactions were settled through the transfer of accounts. Fourthly, political consciousness among the broad masses is heightened. There will be no need to worry even if a little more money is left in the hands of the people, because part of it may be recovered through savings deposits. For this reason, it is held, no inflation will emerge in present-day socialist China. "We must jump out of the enclosure in which we can 'see no men but only goods' and take full measure of control over the role of politics and over the role of man's subjective dynamism." Economic activities, as stated in the law of economics, proceed from equilibrium to disequilibrium and then returns to equilibrium. For this reason we do not fear disequilibrium. We should finance the expansion of production, construction and the turnover of goods, to create a new equilibrium."

The Middle East and Israel

By Dr. Nahum Goldmann

The need to raise the issue of the cultural development of Israel has never been greater, and the time has never been more appropriate than now. There could be nothing more unfortunate for Israel, and for the relations between Israel and the global Jewish community, than to permit Israel to concentrate exclusively on her military problems, however urgent they may be. There is always the inherent danger, not of her making, but a danger nonetheless, that her precarious situation among hostile Arab neighbors may force Israel to channelize all her thinking and divert her vast energies in the direction of military proficiency. Of course, we must do all we can to keep Israel strong, to discourage Arab aggression, to eliminate the threat of another war between Israel and the Arab states. However, precisely because a full settlement in the Middle East is not immediately foreseeable, and Israel may be forced by circumstance to continue her military pre-occupation, we must make certain that the pattern of Ezra, of holding the sword in one hand and guiding the plowshare with the other, is maintained under all conditions. The glory of our people has never been in the military field. The great passion of Jewish history has never been in the direction of military excellence. The aim and the purpose of Jewish history lay in another direction. The ambition of ancient Israel, of eternal Jewry, and of Israel restored to the family of nations, has been consistent—to serve as a light unto the nations, a guide to the morally perplexed, an exemplar to transgressors. Israel will have to *do faut de mieux* so long as Arab hostility and the general unsettled conditions of our times force her to be painfully on guard against those who would design her destruction.

However, the needs of the day, of the season, or of the decade, must not be permitted to overwhelm the ultimate purpose. Even if the guns along the Arab-Israel frontiers should resume their cannonade, even in the midst of renewed warfare, Israel must not be permitted to lose for a fleeting second her awareness of her central mission in Jewish history, of the destiny assigned to her, the *raison d'être* of her own and our existence. To borrow a well-used phrase—the people of Israel have a rendezvous with history. They have been singled out over all other Jewish communities to implement the central ideas of Jewish history, to set new goals, to achieve new records, to create new standards in cultural, spiritual and moral achievements.

Israel's fulfillment in the cultural, spiritual and moral areas depends on a single condition, and in accordance with the admonition of Hillel, I shall define it with extreme brevity—in a single word—and the word is integration. Israel's character and her course in history will be determined by the success of her effort to achieve a three-fold integration—integration as an equal among equals in the family of Middle East nations, integration into the continual stream of Jewish history, integration in Jewish life the world over.

Integration into the Middle East family of nations would mean the establishment of normal relations between Israel and her Arab neighbors. It would have to be more than a formal peace treaty. It would have to be the seasoned relationship that results from living under the same sky and in the same climate, burdened by the same problems, seeking the same triumphs. It would be a multifarious relationship, expressed in daily trade and commerce, in long-term political cooperation, in the continual exchange of ideas and values, in a joint and permanent bold effort to rebuild the Middle East and make it again, as it had been in the past, one of the great cultural centers of civilization.

Obviously, Israel is not a wholly new nation, born into an historic vacuum, come out of nowhere into nowhere. Israel has the moorings of a great spiritual legacy, and it is on these, on the essential moral inclinations and intellectual predisposition of the Jewish people, that Israel must base its contemporary life and its future development. As a new evolutionary phase in the pattern of Jewish history, Israel may well become the acme of that history, the noblest expression to date of the essence of Jewry. Performing within this pattern, Israel may acquire an elite position among the nations of the world, and wholly

because of her cultural superiority and moral ambition. Integration in Jewish life means that Israel must be assimilated, emotionally and intellectually, by the global Jewish community, become an inseparable element of the private lives of millions of Jews who will continue to live outside Israel and will look to that little country, with its capital on the hilltops, as the main source of their moral inspiration and their intellectual stimulation, now that the great Jewish communities of Europe have unfortunately passed into history. Should Israel fail to perform this role, the Jewish people will have been cut loose from its historic axis, transformed indeed into a fossil instead of a people, as Toynbee has prematurely claimed.

Each one of these efforts at integration is difficult and complex. Israel's integration in the Middle East requires a fundamental change of attitude by the Arab people, the overwhelming majority of the population of the Middle East. It requires a change of heart and mind on the part of millions of individual Arabs in relation to the ineradicable fact of Israel's being. It requires also, that the people of Israel grasp profoundly the pattern of their redemption, that their return to the Middle East is a full and unqualified return to their ancestral base.

Integration into Jewish history means continuing the pattern of Jewish historical development, integrating the best of Hebrew religious, scientific and moral tradition, adapting it to the conditions of contemporary life, and making Israel society the culmination of the great achievements and purposes of the past. This is a difficult process. It demands intellectual effort and psychological readjustment. For centuries our people has lived under the conditions of imposed schizophrenia. We have lived concomitantly in two worlds. On the one hand, the world of past and future, on the other hand, the world of the present—of ghettos, hemmed in by persecution, exposed to the threat of extinction. The need to live at one and the same time on two separate planes, in two worlds, has developed some morbid characteristics. It accounts for our occasional inclination to extremism, abstract thought, day-dreams, assimilation on the one hand, and isolation on the other. Our people for centuries has vacillated between the glorious extra dimension of the Messianic millenium and the degradation of the daily struggle for physical survival.

The purpose of Zionism and the purpose of Israel has been to cure this condition, to merge the two worlds, to place the Jewish past, present and future in a single stream of continuity, to create contemporary realities based on the achievements of the past, to give shape and form and color to the glories of history in the soil of Israel and in the skies above it, to apply the technological wisdom of man to the climate and atmosphere which gave tongue to the prophets. Nothing is more important in this respect than the tremendous interest in archeology shown by the people of Israel, especially by the young, who hunt in the sands and drill through the rocks for telltale connections with their origins—for a ceramic fragment, a stray piece of parchment, an obliterated inscription on a tomb. These are deeply moving sights—sabra youth visiting with its ancestors.

It is symbolic, perhaps, that the President of the Hebrew University is also a Professor of Archeology. The University, through its permanent activities in the field of archeology, has become more than an academic institution, it has become the funnel through which miracles of the past merge into the miracle of the present.

* * *

The most difficult of all integrations may be the effort to integrate Israel's new civilisation into the fabric of Jewish living the world over. Israel must succeed in this, for otherwise it will remain a small country in every sense, its spirit delimited by its frontiers, preoccupied with its anxieties to construct a great civilization, and always at the mercy of its neighbors. This in turn would have tragic consequences for Jews the world over. We cannot survive as a people without a center of the spirit. If Israel cannot become that center, what can? The difficulty is that we have few precedents to guide us. We must

search our past for similar periods when a great Diaspora was centered around a sovereign Jewish Commonwealth. In the past, religion was the bond and tradition, the discipline that united Jews in and outside the Commonwealth. What unites us today, when religious tradition has diminished? What will make the people of Israel and the Jews abroad bone of the bone, and flesh of the flesh, of the same living organism? Philanthropic aid and rhetorical solidarity are not an enduring tie. If the Jewish people is to maintain its unity, the social and intellectual life of the people of Israel must become part of the life of Jews outside Israel, radiating and reflecting the ambitions, hopes, visions and principles of Jewish history. We shall have to find new ways and new methods. Hebrew, the proud tongue of a great culture of the past and of a determined new nation in the Middle East, must become the second tongue of Jews wherever they reside. Jews everywhere must know about and contribute to the basic patterns of Israel's cultural development. Our people has a peculiar and wonderful genius for survival, and this genius will reveal, I am sure, ways in which Israel and the Jews everywhere shall continue as one people.

Worried as we are, in these difficult days, about Israel's existence, haunted by her perils and political isolation, denied reprieve from grim reality, I should nonetheless like to gaze into the future. Projection into the future has been the source of all historical endeavor. America's great Walt Whitman had an inspiring vision of a great Democracy and spoke of it even in the troubled days of America's Civil War. I, too, and I say it with humility, have a vision—it is the result of my profound confidence in the historic mission of Zionism and the Jews. I see rising from the bay of Haifa, the heights of Galilee, the sands of the Negev and the hilltops surrounding Jerusalem, an Israel integrated in the Middle East as a full member in the family of its nations, an Israel contributing to the great renaissance of an area that was once so fertile in ideas, in visions, in moral precepts. I see an Israel that gives tongue to new moral principles, that fashions its realities out of the ideas and values which our people reasserted through martyrdom. I see an Israel that has become the spiritual and cultural center for Jews everywhere, an Israel that provides the dynamics of Jewish creativeness and has become the guarantor of the spiritual survival of our people.

Prospects in India and Egypt

By Dov Eppel

Those following international politics in the years after Prime Minister of India Jawaharlal Nehru's visit to Moscow in 1955 have noted that this visit marked the summit of India's activity in the field of world politics. After this visit India gradually but decisively turned her attention and energy toward her own economic development and rehabilitation.

This change was not accidental.

Economically unstable and weak states cannot afford to expend too great an effort in international politics without hampering and undermining the perspectives of their own economic and social development. This fact is especially true of the recently emancipated nations of Asia and Africa.

The political emancipation of these nations has vividly disclosed the dramatic race which more than half of mankind must run against time and history. During the first stage of their autonomous existence the newly-emancipated countries tend to concentrate their efforts towards the consolidation of their political positions and in guaranteeing their independent existence, out of fear of the plans of the former colonial powers to renew their control under new forms. It is this which is at the root of their intense activity in the field of foreign policy. With the passage of time, however, they are compelled to turn their attention more and more to the difficult and complicated economic problems which face them at home.

One of the most outstanding features accompanying the victory of the national movements in Asia and Africa has been the comparatively rapid increase of the populations of these countries. Thanks to concentrated attacks on tropical diseases and other maladies, the newly-established governments have been able to restrict and to lower the death-rate in their countries.

The problem of overpopulation is not a new one, having been in existence in countries like Egypt and India ten to twenty years ago or more. In the past, however, the high rate of mortality of children and adults was a "regulating factor" in balancing the effects of the large birth-rate. Now, thanks to the greater efforts in combating disease and in improving health conditions, this factor has gradually lost its strength. It is this development which makes it all the more necessary for the national governments to concentrate all their attention and activities on programs of social and economic rehabilitation with the aim of maintaining and raising the standard of living of tens and hundreds of millions of people.

The population of Egypt is at present increasing at the annual rate of 400,000. This means that in 1968 the population of this country will be at least 29 or 30 millions. It also means that in order to maintain the now extremely low standard of living of the majority of the people, the government will be compelled to increase the output of the national

economy by at least 20%, and by much more in order to raise the standard of living and, at least partially, to liquidate the backwardness of the country.

The same problem faces countries like India, Burma or Indonesia.

There is also another problem which is directly connected with the former. Unless the standard of living of the bulk of the population is raised, the disparities between the cultural and technical levels of the rural and urban working classes will tend to increase instead of diminishing. The wealthy and educated classes in the countries of Asia and Africa are becoming increasingly aware of the fact that political independence in itself did not bridge the chasm separating them from the great powers rapidly moving towards the age of atomic civilization.

Let us remember that in the Middle Ages and even in the first stage of the modern period Asia did not lag behind Europe either politically or culturally. China, India, the countries of the Arab Caliphate, the Byzantine and Ottoman Empires, were not backward in comparison with the Europe of their times. The once rich and relatively developed countries of Asia and North Africa began to fall behind Europe only in more recent times. After the Cromwellian revolution in England, the French Revolution and the industrial revolution, England, France, Holland subjected to their control vast territories and hundreds of millions of people who had to pay with their freedom for having lost the historical race with the Western world. Only Japan succeeded, at the last moment—in the second half of the 19th Century—in carrying out her own industrial revolution and in avoiding the lot of the other Asian nations.

After the Second World War most of the so-called backward countries achieved political independence thanks to innumerable sacrifices and the political and social crisis that split humanity into two great camps.

During the first short period of political consolidation it seemed likely that the larger countries with populations of hundreds of millions, such as China and India, might quickly overcome their backward state and play an important role in international politics. This was the period of the Korean and Indo-Chinese wars, the period when India filled with such wisdom the role of mediator between the East and the West.

But it soon became clear for India, as for China, that she was faced by the danger of losing the race with the Western world for the second time. The leaders of Communist China clearly and openly stated that it would take decades to overcome her cultural and economic backwardness. It may be added that even this aim can be achieved only on the condition that all the country's material and moral resources are concentrated in that direction.

The Indian Government and the responsible circles of India came to the same conclusion. As a result, we have witnessed the attempts of the Indian Government to "disengage" itself from international politics and to obtain as much aid as possible from both the East and the West.

It is evident that if President Nasser seriously desires to speed up the economic development of the United Arab Republic he will have to follow the path of Prime Minister Nehru. President Nasser's visit to Moscow took place at a moment when he has actually achieved the maximum of his political and national goals that are attainable without endangering the future of his ambitious economic plans. The nationalization of the Suez Canal has been officially acknowledged by the West and the United Arab Republic has come into being. There are, indeed, still other no less important political aims that President Nasser has not yet achieved: the

annihilation of Israel and the annexation of Jordan and possibly of Iraq. But it is obvious to any realistic observer, and not least to Abdul Nasser, that the path to the achievement of these aims runs through war and a great deal of bloodshed that would end with catastrophe for President Nasser and quite seriously endanger world peace.

It should be added that if Abdul Nasser should decide to spend a large part of the national income on armaments, he would have to restrict the expenditures on economic development seriously and no economic help from the West or the East would be sufficient to enable the Arabs to keep pace in the race with history. The Arab nation would increase numerically but remain a backward people. We might hope, therefore, that Abdul Nasser will follow Nehru's example and make his visit to Moscow a turning point in his political path.

Commentaries on Chinese Paper Money

Part VII

By E. Kann

NORTH CHINA

Hopei

Detailed description regarding the banknotes situation in the metropolis, Peking, subsequent upon the declaration of Yuan Shih-kai's Moratorium of 1916, has already been supplied. Naturally, Tientsin also was affected by the turmoil; but as the branch offices of the two government banks there decided to act independently, their notes soon regained par value.

Tientsin witnessed another panic in connection with banknotes redemption. This occurred in the autumn of 1921, by which time the size of Tientsin's banknote circulation very much exceeded the reserves held by them. At that occasion it was decided to pay only \$10 per person presenting banknotes for encashment, a step which aggravated the situation. However, upon Government instructing the Tax Bureaus and the railways to accept the notes issued by the government banks in Tientsin without discrimination, confidence was soon returning. In July of 1921, the Banque Industrielle de Chine failed. In order to avoid the public's loss of confidence in paper money, the newly formed Tientsin Chinese Bankers Association decided to redeem all the notes issued by the defunct foreign bank.

In the course of the second decade of the 20th century, there were frequent runs on the coffers of the Chihli Provincial Bank, which latter finally had to stop payment, leaving about \$16,000,000 in its notes unredeemed. A large portion of the unfortunate creditors consisted of poor people, holding 10 and 20-cent notes emitted by the provincial bank. Largely due to the incessant civil strife in China, which prevailed for more than ten years, many other banks with branch offices at Tientsin ceased to cash their notes. Amongst these were the Shantung Provincial Bank and the Honan Provincial Bank, the North-Western Bank, the Industrial Development Bank of China, the Silk and Tea Industry Bank, the Sino-Scandinavian Bank, the Exchange Bank of China and the Chinese American Bank of Commerce. These insolvencies did not occur simultaneously, but in the course of about one decade.

It is noteworthy that the Shansi Provincial Bank's branch in Tientsin left not a single one of its notes unredeemed upon its withdrawal in 1930. This happened at a time when a financial panic broke out in Shansi, caused by the over-issue of paper there. Same was said to have aggregated about \$63,000,000 in face value. The lack of reserves caused these notes to drop to 20 cents in the dollar. In 1931 it was proposed to float a financial rehabilitation loan for \$24,000,000, by means of which the depreciated notes were to be redeemed at 15% of face amount*

* See "The Maritime Customs Decennial Reports, 1922-1931."

Shantung

A detailed description of conditions prevailing in Tsinan, the capital of Shantung, has already been provided. Chefoo never was a large holder of dollar banknotes, and a portion of these were circulated by foreign banks. Until the breakdown of Russia after World War I, the rouble note ruled supreme at Chefoo, same having been brought in by large crowds of Chinese workmen returning from Vladivostok, or the Pri-Amur districts.

In 1929 the Chinese Chamber of Commerce at Chefoo authorized native banks to issue 20,000 notes of 10-cents denomination. These became very popular, in contradistinction to other subsidiary coin notes which stood at a discount up to 10%.

The small port of Lungkow, in northern Shantung, never had many notes in use. In 1939 it was estimated that the total circulation there by the only bank, the Bank of Communications, aggregated \$60,000 in denominations of \$10 and \$1, as well as 10 and 20-cents.

As long as Kiaochow was a German colony (1898-1915), the Deutsch Asiatische Bank there supplied the needs for paper money. When the Japanese occupied the port of Tsingtao in 1915, they began by circulating scrip in terms of silver yen. One estimate places the total circulation at one time up to yen 10,000,000. Upon handing back the administration of the province of Shantung to China, the Bank of China soon replaced the Japanese issue with its own notes; and the Bank of Communications soon followed suit.

Customs estimates put the circulation of notes in 1931 at the following figures: by the Tsingtao offices of the Bank of China \$5,000,000; by the Bank of Communications \$3,000,000; by the Industrial Bank of China \$500,000. The notes of the government banks also enjoyed an extensive circulation in the Shantung hinterland. The same source considered that in 1931 the traffic within Shantung Province then stood as follows: Tsinan \$11,000,000; Tsingtao \$8,000,000, Chefoo, Lungkow and Weihaiwei \$6,000,000. At the identical period, it was thought that in the remainder of Shantung about \$3,000,000 was then in circulation. Most of these emanated from the Central Bank of China.

Shansi

The following sketch depicts the position as it existed in 1925: Although one of the fertile provinces of China, Shansi has been beset with currency troubles, due mainly to inflation. During 1922 as many as 200 native banks of Shansi Province were put out of business in connection with inability to redeem their paper money. For years the authorities had been collecting old hole-cash for the purpose of reminting these into

Agricultural Development in China

The latest estimate of the Ministry of Agriculture shows that China's total output of grain this year is expected to exceed 350 million tons—more than 90% over that of last year. Last year, Peking claimed an increase of 2.5 million tons of grain over that of 1956 but this year the increase is said to be more than 150 million tons.

RICE

On October 12th, the Ministry announced that China's 1958 early-rice harvest amounted to more than 43.5 million tons; 126% over that of 1957. The average per hectare yield on the total acreage sown to early rice this year is 4,470 kilogrammes, 82% more than the 1957 figure of 2,452.5 kilogrammes. The increase of output this year alone is over six million tons greater than the increased output during the whole five-year plan period.

The total area sown to early rice this year was over 146 million mou, or more than 9.73 million hectares. Peking claims that a per mou (one-fifteenth of a hectare) yield of over 500 kilogrammes was achieved on more than 15 million mou, or over 10% of the total acreage sown to early rice this year. Within this area, yields ranging from 1,500 to 2,500 kilogrammes were gathered on some 140,000 mou and yields ranging from 2,500 to 5,000 kilogrammes on some 25,000 mou. Super yields of above 5,000 kilogrammes per mou were gathered on a total of more than 300 mou. The best record was achieved by the Pingching Hsiang No. 2 Agricultural Producer Cooperative, Macheng County, Hupeh Province, which harvested 8,130 kilogrammes per mou (equivalent to 122 tons per hectare) on an experimental plot of 1.01 mou. By transplanting a vast number of growing shoots from other plots onto a single plot, the Chienkuo No. 1 Agricultural Cooperative, on the same county, brought in as much as 18,478 kilogrammes per mou (equivalent to 277 tons per hectare) on a plot of 1.016 mou.

The total output of semi-late rice is estimated at 56.5 million tons, 40% more than last year. The estimated per hectare yield of this crop is 75% higher than last year.

WHEAT

The 1958 output of wheat came to 39.5 million tons, 15.85 million tons or 67% more than last year. The national average wheat yield went up from 855 kilogrammes per hectare last year to 1,485 kilogrammes, a 73.6% increase. In Honan, the biggest wheat growing province in China, two counties, Yenshin and Poai, doubled their per-hectare yield. They harvested 3,900 kilogrammes per hectare on a total area of 42,700 hectares. High per mou (one-fifteenth of a hectare) yields, ranging from 1.5 to 3.66 tons, were achieved in different wheat growing provinces on at least 28 plots most of them small experimental plots of a little over 1 mou.

COTTON

China is also gathering an "unprecedented" bumper cotton harvest, according to New China News Agency (NCNA). Total output of cotton this year will come to 3.5 million tons, averaging 600 kilogrammes per hectare. Both the total output and per hectare yield will be more than twice that of last year. Peking's estimates show that the average per hectare yield of cotton in some provinces, including Shensi, will reach three-quarters of a

modern copper coins. But these latter were sold to neighboring provinces and not circulated to any extent at home. Instead, the governor permitted the money establishments to issue fiat money in terms of copper. Due to the indiscriminate emission of such notes depreciation of currency and subsequent inflation and insolvency of many issuers resulted.

The occurrence of so many failures aroused the Government to enact a law, providing that henceforth the note-issue of native banks and mercantile firms is to be limited to one and a half times their capital, if the concern was of unlimited liability. Other establishments organized with limited liability were not permitted to issue notes to an extent larger than their paid-up capital. Any note-issuer had to be covered by a cash reserve of not less than 40%; they were to be subject to inspection by the authorities, at least once annually.

ton. In 1957 there were only five counties which yielded three quarters of a ton per hectare.

TOBACCO

The latest estimates made by the Ministry of Agriculture show that the output of tobacco this year will be four times that of 1957. The tobacco harvest in Honan, the biggest tobacco producing province, is expected to be seven times as great as last year's. Shantung, Anhwei, Kweichow and Yunnan, producers of China's best strains, expect to attain a three to four fold increase. This year's good crop is due mainly to timely planting, elimination of tobacco pests, deep ploughing, intensive cultivation and abundant use of fertilizer and adequate irrigation.

TEA

China's tea output this year will be 50% more than in 1957. Chekiang and Fukien, two of the major tea growing areas, expect their total crops to be double last year's. Some plantations are getting crops up to 2,000 catties to the mou, the equivalent of 15 tons to the hectare. In the eight years ending 1957 China exported 250,000 tons of tea to 50 countries.

According to Peking's production plans, China will become the world's biggest tea producer by 1962 with an output of 382,000 tons. This target was set by the Ministry of Agriculture at the national tea conference in Hangchow early this year. By 1962, the tea acreage will be increased to 1.4 million hectares, four times the present acreage.

SUGAR CANE & BEET

Peking announced that China's sugar cane and beet crops this year could be very promising. Fukien and Kwangtung, two major sugar cane growing areas which produce more than half of China's total output, expect to gather an average of 75 tons per hectare. NCNA reported that within a few years, China would become one of the world's leading sugar producers. Reporting from Changchun, NCNA stated:

"A plan for increasing sugar beet production in 1959 has been worked out at a national sugar beet conference held in the front Ghorlos Mongolian Autonomous County. The conference set the aim of 5,000 kilograms of sugar beet per mou of land and called for a campaign to achieve this in 1959. Delegates reported that the sugar beet production had been extended from Kirin and Heilungkiang provinces and the Inner Mongolian Autonomous Region to all parts of the country and more than 367,000 hectares were planted this year, more than double last year's area. Estimates were given that output this year would reach 6.45 million tons, or 2.7 times that calculated in the state plan. This, plus the output of sugar cane, would bring the total output of sugar this year to two million tons, making China self-sufficient."

RAMIE

A nationwide bumper harvest is also being gathered in ramie, reported NCNA. Hupeh Province, which produces more than one third of the country's total output, has already reaped its first crops which amount to as much as the province gained last year in three crops. A record yield of 15.15 tons per hectare was gained by a cooperative in Yanghsin County, Hupeh Province. China's total ramie crop this year will be 80% over that of 1957.

SILK

In silkworm breeding China has doubled the number of its summer and autumn breeding sheets this year compared with last. The main silkworm breeding areas in China—Chekiang, Szechwan, and Kwangtung—expect a 20% increase over last year. Other provinces, such as Honan, Hunan, Kweichow and Kwangsi, will at least double their output.

China is already the world's leading tussah (wild) silk producer. This year's tussah cocoons are estimated at twice as much as last year's. Liaoning, China's biggest tussah cocoon producing province, has a 95% increase over last year.

OIL SEEDS

The extension of the food crop acreage this year resulted in the smallest acreage of oil-bearing crops since 1952. Soya beans, peanuts, rapeseed and sesame were planted on only

The Japanese Securities Market

The stock market in 1957 was subjected to kaleidoscopic fluctuations as the national economy, on the greatest boom in history in 1956 which was further abetted by the positive economic policy of the Ishibashi Cabinet in the early part of 1957, plunged headlong into acute deflation under the impact of a tight-money policy adopted by the Kishi Cabinet.

Share quotations, which had started to soar from the autumn of 1956, continued rising until early May 1957. The elevation of the official discount rate by the Bank of Japan on May 8 for curbing imports, the integrated tight-money policy for bettering the balance of international payments announced by the Government on June 19 and a series of other tight-money measures adopted in succession came as major deterrents to the stock market and stock prices began to sag sharply, particularly in the last three months of the year after a short-lived rally in August and September with the Dow-Jones average hitting a new low since May, 1956 on December 27.

Investment trust, on the other hand, proved unexpectedly brisk in 1957 with the total of new subscriptions far exceeding that of 1956, principally because the income of general wage earners, on the increase despite the stringency in the money market, found its way to the stock market through investment trust. The loan market, well on the way towards normalization in 1956, remained completely depressed throughout 1957, as tight money and higher call rates offered two principal dampers. As shown in Table 1, the weight of stocks and bonds in the supply of industrial funds in 1957 markedly advanced to 22.2% as compared to 16.6% in 1956 and 9.1% in 1955.

1. NEW INDUSTRIAL EQUIPMENT FUND SUPPLIES
(In Y100 million)

	Total	Shares	Industrial Bonds	Loans by Private Banking Bodies	Govt. Funds
1955	4,495 (100.0%)	325 (7.3%)	35 (0.8%)	2,831 (63.6%)	1,304 (29.3%)
1956	7,324 (100.0)	837 (11.4)	378 (5.2)	4,614 (63.0)	1,494 (20.4)
1957	8,657 (100.0)	1,576 (18.2)	347 (4.0)	5,058 (58.5)	1,666 (19.3)

Source: Bank of Japan.

Share quotations continued to make active gains in the second half of 1956 and particularly after the Suez outbreak at the end of October. The rising tempo of stock prices was

15,640,000 hectares of land, almost five million hectares less than last year.

A total of 1,384,500 tons of rapeseed were gathered in China on an acreage of about 2.53 million hectares this year. The output is 56% more than last year. The national average per-hectare yield was 547 kilogrammes, showing a 43% increase over last year. The Shanghai rural area gathered an average of one and a half tons of rapeseed per hectare on the 10,000 hectares of land. Taking the country as a whole, an average yield of from 750 kilogrammes to one and a half tons of rapeseed per hectare was gained on 500,000 hectares, one and a half tons to 2.25 tons per hectare was gained on 35,200 hectares, 3-3.7 tons per hectare was gained on 70 hectares, and 3.7 to 15 tons per hectare was gained on 13 hectares.

Soya bean was planted on 9.33 million hectares of land this year. Despite severe dryness and insect pest trouble, the average per hectare yield this year is expected to reach 1.29 tons, an increase of 60% over last year. The total national output will be 12.5 million tons, 25% more than in 1957, although the acreage is some five million hectares less than that of last year.

The 2.4 million hectares of peanuts planted this year are expected to yield 2.5 tons per hectare. This is 133.4% more than last year. The total output will come to 6 million tons, 2.38 times that of last year.

The total output of sesame, growing on over 867,000 hectares, is expected to be 695,000 tons, 124% more than last year's. Hunghu County in Hupeh, which led the country in sesame production last year, is expecting a per hectare yield of three tons on its 3,100 hectares of sesame acreage.

further accentuated after the turn of the year into 1957 with the advent of the Ishibashi Cabinet because of the positive economic policy it announced (based on the Y100,000 million spending for major administrative measures and Y100,000 million income tax cut), although the market grew irregular at intervals due to some deterrents such as the monetary stringency resulting from the financial fund withdrawal excess in the January-March period and active selling operations by the life insurance syndicate. Such deterrents, however, were more than sufficiently counter-balanced by new stimulants like the favorable corporate results for the term ended March and the new tension in the Middle East situation. Thus, the Dow-Jones average of 225 pivots at the Tokyo Securities Exchange, which started 1957 at Y549.45 (as of January 4) zoomed up to Y595.46, a new high since 1956, on May 4.

The onward march of stock prices, however, came to an end when the Government began to take a series of tight-money measures to curb the excessive expansion of economic operations such as the elevation of the official discount rate (May 8) and the restraint on imports (June 19). After a round of reactionary declines which followed, the Dow-Jones average dropped sharply to Y472.43 on July 25, a drastic fall of Y123.03 from the May 4 high of Y595.46.

Under the impact of the deflation policy adopted by the Kishi Cabinet, imports began to dwindle markedly and an early improvement of the balance of international payments was promised. On the basis of the encouraging prospects of international payments and the bullish sentiment expecting the exit of deflation measures, therefore, share quotations began to make a steady recovery and rallied to Y539.59 on October 3.

In mid-October, however, the Bank of Japan and the Ministry of Finance reconfirmed the continued adherence to the tight-money policy and Prime Minister Kishi on October 30 declared that no slackening of deflation measures would be conceivable in the near future. Thus, the impact of the deflation policy became steadily semi-chronic. Inventories in the hands of merchants started to dwindle and shipments by producers began to recede. Production began to decline and manufacturers' stocks started to swell. With the deflation policy entering upon the second stage, as opined by economic experts, the stock market continued lethargic and ended the year in a weak tone with the Dow-Jones average on December 27 (the day before the closing session of the year) at Y471.53, diving lower than the July 25 low and registering a new low for 1957.

In brief, the stock market in 1957 passed through the four distinctly contrasting stages—the first stage from January to May when share prices continued stiff partly on the strength of fair corporate results; the second stage from early May when the official discount rate was raised until the end of July when stock quotations dipped markedly; the third stage from early August until early October when a new rally set in; and the fourth stage from mid-October to the year-end with stock quotations proving semi-chronically depressed.

2. SHARE QUOTATIONS & STOCK TURNS

	Average	Averages in Yen		Transactions	
		High	Low	Million shares	Million yen
1955	374.00	425.69	345.89	2,505	283,919
1956	485.33	566.30	420.14	6,692	815,853
1957	535.57	595.46	471.53	7,691	981,666

Note: Prices and transactions at Tokyo Securities Exchange.

Source: Tokyo Securities Exchange.

The total volume of stock turnovers in calendar 1957 totalled 7,691,000,000 shares worth Y981,666,000,000 marking gains of 14.9% and 24.0%, respectively, over the like figures in 1956. The 1957 increase in turnovers, however, was totally due to larger transactions in the first half with January establishing a second, monthly high of 976,000,000 shares, next only to November, 1956 when 1,052,000,000 shares, changed hands. Parallel with the progress of the deflation policy, transactions tended to dwindle in the second half with June, July, November and December particularly depressed. In November, turnovers were restricted only to 361,000,000 shares, the lowest monthly total for 1957.

Swelling transactions in 1957 naturally compelled the volume of accommodations extended by the Japan Securities Finance Company in credit transactions to soar to more than Y10,000 million at the end of November, 1956 and the balance of outstanding loans rose to Y14,800 million as of March 26, 1957, as the number of traders buying stocks with funds loaned from the company increased. As the stock market began to weaken after the elevation of the official discount rate by the Bank of Japan, however, the balance started to dwindle and stood at Y4,600 million as of the end of July, 1957. The balance grew to Y9,000 million at the close of October due to the rally in the stock market but declined again to Y4,700 million at the end of December, or less than half the peak of Y10,800 million a year ago.

As regards capital expansion, corporate capital increases were extremely active in January, 1957 and totalled some Y61,200 million (exclusive of share payments) chiefly because the two stimulative measures (the Capital Replenishment Law and the Law for Tax Exemption for Capital Increases) were due to become void in that month. In reaction, however, capital expansion projects were comparatively dull from February through April. Capital increase projects became active again in the following several months with total expansions exceeding the Y30,000 million mark in July and September. The total amount of capital increases in 1957 reached Y205,400 million (exclusive of expansions by share dividends), marking a gain of 14.6% over those totalling to Y179,100 million in 1956, chiefly because of brisk equipment investments and favorable corporate results in the first half. Capital increases totalling Y31,900 million took place in July when the stock market collapsed. Of this total, shipping companies (whose share prices dropped and business results were unfavorable) accounted for Y12,300 million. As a result, bulky forfeited shares were reported by Kawasaki Steamship (19.0%), Sanko Steamship (18.6%) and Iino Kaiun (18.5%).

Another noteworthy feature of corporate capital increases in 1957 was the remarkable decrease in the volume of share dividends given in capital boosts. In 1956, the amount of capital increases through share payments reached Y179,100 million as compared with those through share dividends at Y30,600 million, with the ratio of the latter to the total standing at 14.6%. In 1957, however, the ratio slipped to 11.2% as increases through share payments amounted to Y205,400 million against those through share dividends at Y26,000 million. The ratio, comparatively high at 19.5% in January, dropped to the average of 7.1% in and after February. Capital increases through total share dividends made a more drastic drop from Y18,500 million in 1956 to Y3,900 million in 1957, chiefly because of the expiration of the Capital Replenishment Law and the Tax Exemption for Capital Increases.

3. CAPITAL INCREASES BY SHARE DIVIDENDS OR SHARE PAYMENTS (In million yen)

	Number	Capital Increase Projects		Totally Through	
		Thru Share Payments (Value)	Thru Share Dividends (Value)	Share Dividends Number	Value
1955	143	67,174	15,835	37	2,590
1956	361	179,118	30,673	93	18,587
1957	348	205,406	26,043	38	3,947

Source: Zoshi Kondankai (Capital Increase Club).

Investment Trust

Investment trust subscriptions in 1957 totalled Y92,500 million, (including Y73,000 million in the form of the closed-end type items and Y19,500 million in the form of the open-type items), or about double the value of subscriptions in 1956 at Y51,400 million. The outstanding balance as of the end of 1957 stood at Y136,900 million (including Y116,400 million in the closed-end type and Y20,500 million in the open-end type), also about double the 1956 balance of Y67,700 million. The marked growth of the open-type items was due to the acceptance of this type of subscriptions, originally started by Yamaichi Securities alone, by two other major securities merchants (Nikko Securities and Nomura Securities) as from September, 1957.

Responsible for the fair showing of investment trust were: 1) The inflow of more funds to investment trust due to the increase of people's income and the promotion of propensity to save; 2) Closer understanding of the nature of investment trust by the masses; 3) A small amount of redemptions in 1957; and 4) The decreasing number of cancellations.

Funds made available through investment trust were invested at the following percentages as of the end of September, 1957 (for the closed-type investment trust alone): cash trust, 0.7% (3.3% a year ago); call market, 13.0% (19.2%); bonds and debentures, 2.6% (2.3%); stocks, 81.4% (73.6%); others, 2.3% (1.6%).

4. INVESTMENT TRUST

(In million yen)

	Closed-end Type		Open-end Type	
	Estab-lished	Out-standing	Estab-lished	Out-standing
1955	25,510	58,453	871	1,066
1956	51,230	66,560	201	1,188
1957	73,060	116,375	19,484	20,540

Source: Ministry of Finance.

Bond Market

The bond market proved lethargic in 1957 under the impact of the deflation policy in sharp contrast to the activity in 1956 through the liberalization of bond issues. Three different stages marked the bond market in 1957. The first stage covered the period from January to April. During this period, the general enthusiasm for bond flotations was high due to active equipment investments, but the absorption of issued bonds was weak because of money tightening.

The high level of call rates during this period compelled provincial banks to prefer fund releases to the call market in preference to bonds and debentures with low yields while life and non-life insurance companies channelled surplus funds more positively to loans for industrial enterprises, thus further reducing the absorption capacity in the bond market. City banks, which were required under the circumstances to take care of bonds issued because of their close relations with key companies, were unable to give a helping hand because of the shortage of cash. The briskness of the money market and the soaring of call rates also proved major deterrents to bond transactions which dropped to about ¥200,000,000 monthly, less than half the monthly transactions in 1956.

The second stage covered the period from May through June when bond issue terms were generally revised. After the elevation of the official discount rate by the Bank of Japan on May 8, call rates continued soaring, and the bond market was completely emasculated. To cope with the situation, the boost of interest yields of bonds through the revision of bond issue terms came into the limelight. The revision came in July after the raise of money rates for long-term loans became certain through the Government's announcement of an integrated tight-money measure for bettering the balance of international payments on June 19.

The July revision of issue terms was applied to industrial bonds, banking bonds, local bonds and bonds guaranteed by the Government. For industrial bonds, the subscriber's yield was raised from 7.35% to 7.94% (7.83% for electric power bonds alone). The revision was not attractive enough to enable the bond market to make an active rally and the market after July mostly survived on conversions instead of new issues.

5. BOND & DEBENTURE ISSUES

(In ¥ billion)

	Corporate Debentures			Bonds
	Banking	Industrial	Total	
1955	172.3	74.0	246.3	24.5
1956	210.5	101.6	312.2	39.0
1957	231.4	96.8	328.2	40.7

Source: Industrial Bank of Japan.

6. ABSORPTION OF INDUSTRIAL BONDS & DEBENTURES (%)

	City Banks & Trust Banks	Provin- cial Banks	Insurance Cos.	Agricul- tural Banks	Credit Banks, Mutual Banks	Others	Total
1955	32.9	39.4	4.2	10.1	4.7	8.7	100.0
1956	34.6	28.5	5.8	10.2	5.0	15.9	100.0
1957	50.0	25.8	4.2	3.4	3.3	13.3	100.0

Source: Industrial Bank of Japan.

The third stage extended over the period from July to the year-end when the bond market started to register a steady improvement as stress was placed on conversions instead of new issues and the financial fund balance began to mark a payment excess. The recovery became more stable after November, with new issues partially witnessed. As shown in Table 5, bond issues in 1957 totalled ¥96,800 million, far smaller than the issues in 1956 at ¥101,600 million. The absence of direct investments to the continued predominance of indirect investments through monetary institutions accounted for the prolonged depression in the bond market in 1957 despite the liberalization steps taken in 1956.

The State of the Philippine Manufacturing Industry

By Roberto Villanueva

(President, Philippine Chamber of Industries, Manila)

Manufacturing industry—from an obscure and insignificant economic activity in the Philippines before the Pacific war, has grown and expanded at an accelerating pace. Today it is the most vital force in the development of our economy.

Representing capital investments of over one billion pesos, manufacturing industry provides employment to more than 350,000 employees and workers whose direct or indirect dependents number more than 2 million people. It contributes P1 billion, 200 million to our national income. It harnesses sizable quantities of our natural resources.

The tremendous progress of Philippine industry is reflected further in a speech of President Ramon Magsaysay before the members of the Philippine Chamber of Industries in a monthly meeting held at the Manila Hotel on January 15, 1957, portion of which is quoted hereunder:

"It is inspiring to take note of our tremendous industrial progress over the years. As a measure of the growing strength and importance of the manufacturing sector of the economy, the volume of manufacturing in 1956 was fully 120 per cent higher compared to 1949. The contribution made by manufacturing to national income is accelerating at a fast rate. Income originating from manufacturing has gone up almost 75 per cent since 1949. More recently, the pace of industrialization has been stepped up. Between 1954 and 1955, the value added by manufacturing expanded by 120 million or 12.6 per cent.

"In the tax-exempt sector alone, from a negligible number of 27 new firms organized in 1949, there has been a steady increase each year, until today we have about 500 new enterprises ranging from textile and drug items to manufacturers of footwear, nails and musical instruments. I am aware that a sizable portion of our manufacturing industries has been devoted largely to what is termed as "packaging industries". I have not been too happy about this. I would like to see the establishment of a more basic industry that would use and exploit to the maximum the abundant raw materials found in our country. Hand in hand with these developments, we find that in the three short years of this administration, the total value of machinery imports has increased by more than 55 per cent, while imports of raw materials have reached the almost incredible figure of P1,700,000,000 (one billion, 700 million).

"To the growth of local manufacturers is chiefly credited the encouraging downward trend noted in particular imports during the first nine months of 1956. Imports of textiles declined by P43 million compared to the first nine months of 1955. Construction saved the economy about P1 million in reduced value of imports during the same period. The heightened activity in the tobacco region and among our cigarette manufacturers brought about a P13 million decrease in imports of tobacco. Imports of coffee and cacao were lower by P2 million. While we imported P8.2 million worth of footwear in 1949, only P700 thousand was recorded by 1955.

"All these manufacturing statistics translate themselves into the easily recognizable but little appreciated fact that the man on the street, from the shoes that he wears to the cigarette that he smokes, is consuming in greater and greater degree the products of his own countrymen.

"But perhaps more than these simple statistics, what gives us hope for still more rapid progress in the years to come is the emergence of an active and dynamic group of Filipino industrialists who are eager, enthusiastic and articulate in advocating increased investment in manufacturing and in leading the way towards the establishment of a growing number of industrial firms."

In the light of the accomplishments of Philippine industry, it has deservedly acquired a legitimate right to claim for more attention and consideration of our people, particularly of our

political leaders who are in-charge of shaping the social, political and economic destiny of the nation.

After achieving a noteworthy progress within a period of ten years, Philippine industry faces the question: Shall it continue to pursue the national goal of industrialization which would save the country from economic mendicancy or should it yield to the pressures of consumers of imported goods and a few affected importers and revert to the colonial type of economy from which we are today emerging?

The answer is decidedly in favor of continuing the present path of industrialization to economic stability. Our patriotic duty demands that we should not concern ourselves much with the solution of present day problems which would benefit selected sectors but with long range solutions to problems affecting national goal.

What are the national objectives which we are to attain through industrialization?

First, an increase in national wealth through the development of our natural resources.

Second, economic diversification which will lead to economic self-sufficiency and lessen our dependence on the ups and downs of the world market.

Third, employment for our increasing number of unemployed.

Fourth, a rise in our per capita income and consequently in living standards.

Lastly, greater opportunities for gainful and intellectually challenging jobs for our able and willing young men and women.

These are objectives which ultimately spells an expanding economy, better life and general contentment for all. And we can attain these only through industrialization.

What initial steps and efforts have been taken and exerted by Philippine industry to attain these national objectives? The following statistical data and figures will show the accomplishments of Philippine industry and its relative position in the economic structure of the country.

CAPITAL INVESTMENTS

Table 1. Number of manufacturing firms registered from 1946-1955

Year	Number	Paid-up capital
1946	431	P 2,145,190
1947	273	11,111,378
1948	266	14,054,139
1949	283	11,832,850
Sub-total	1,253	P 39,134,557
1950	1,722	61,946,000
1951	2,016	62,161,000
1952	1,479	42,748,000
1953	1,630	49,831,000
1954	1,734	38,566,000
1955	1,339	33,857,000
Total	11,173	P328,243,557

Prior to the institution of the import and exchange control from 1946-49, only 1,253 firms with a paid-up capital of P39,134,557 were registered or an average of around P10,000,000 yearly. This low record of investment may be attributed to the fact that national efforts were then directed towards rehabilitation and reconstruction of housing, transportation, communications and other facilities so very limited industrial reconstruction was undertaken. Moreover, a big bulk of capital then available went to commerce and trade, more particularly in the importing business because the country was in short supply of practically every conceivable consumers goods as a result of the world war.

Importation was a very lucrative field of investment due to a big and steady demand for imported articles. As a consequence, our international dollar reserves dropped from \$443 million in December, 1946 to \$260 million in December 1949 or a decline of \$183 million. This alarming situation forced the government to institute import control which is still enforced at present.

But from 1950 to 1955, there was a spectacular rise in the number of firms engaged in manufacturing. From 431 in 1946, figures jumped to 1,339 in 1955 or approximately 30% increase. Capital invested advanced from P2,145,190 to P33,857,000 in 1955 or over 16-fold. This sharp increase was due to many factors, among which may be mentioned the (1) import and exchange control, (2) tax-exemption law as revised, (3) financial aid given by banks and the Rehabilitation Finance Corporation and other favorable Finance Corporation and other favorable climatic factors which gave encouragement to industrialists.

The banner years were 1950 and 1951 when 1,722 and 2,016 firms were registered respectively with paid-in capital of P61,946,000 in 1950 and P62,161,000 in 1951.

Table 2. Capital investments of registered firms engaged in manufacturing classified by type of organization.

Year	Corporation	Partnerships	Single Proprietorship
1950	P33,000,000	P 6,065,000	P32,903,000
1951	17,945,000	10,983,000	44,511,000
1952	15,623,000	8,704,000	27,621,000
1953	27,202,000	8,165,000	31,985,000
1954	17,556,000	5,905,000	25,850,000
1955	23,070,000	5,738,000	21,066,000

Table 3. Number of registered firms engaged in manufacturing classified by type of organization.

Year	Corporation	Partnership	Proprietorship
1950	154	128	1,440
1951	136	209	1,671
1952	100	177	1,202
1953	121	172	1,337
1954	127	133	1,474
1955	130	109	1,100

The above figures clearly show that in the field of manufacturing, the most popular type of organization is that of single proprietorship. This can be expected because of the individualistic attitude of both the Filipinos and Chinese in business. However, in big manufacturing establishments which require huge capital investments, the corporate type of organization is more in vogue than in either the partnership or the single proprietorship type of business.

Table 4. Capital investments of firms engaged in manufacturing classified as to type of or kind of industry. 1950-1955.

Kind of industry	Paid-in
Food manufacturing	P27,648,000
Sugar refineries	3,124,000
Coconut products	77,000
Beverages	1,500,000
Tobacco Manufactures	3,961,000
Textiles	68,563,000
Footwear & wearing apparel, except rubber	39,698,000
Wood manufactures	6,235,000
Furniture & fixtures	3,646,000
Paper and paper products	2,095,000
Printing, publishing and allied industries	3,290,000
Leather and leather products	4,162,000
Rubber products	414,000
Drugs and chemical products	8,960,000
Machinery, apparatus & appliances	4,469,000
Metal products	8,590,000
Non-metallic products	7,130,000
Transportation equipment	1,201,000
Miscellaneous	14,392,000

Likewise, it is worth noting the fact that our local manufacturers have invested heavily in the manufacture of other various goods like textiles which involved a huge amount of P69,563,000, P39,698,000 in footwear and wearing apparel, P27,648,000 in food, which should be carefully directed for the obvious reason that these articles are among the biggest items in our importation. The more we produce these essential consumers goods, the more saving we shall realize in our foreign exchange reserves and the more will our economic position be strengthened.

Table 5. Capital investment of 1,642 producers and manufacturers in 1954 who are dollar quota holders. Source: Import Department of the Central Bank of the P.I. (Producers Quota Revision Report). Classified by nationality.

Nationality	Amount
Filipino	P474,608,861.23
American	273,874,582.86
Chinese	96,249,469.33
British	4,268,995.00
Other nationalities	71,672,259.00
Total	P920,674,166.87

These figures show that Filipino capital dominates the industrial field. Combining the capital investment of all nationalities, Filipino capital still exceeds foreign capital by P23,954,855.59. This aggressive participation of Filipino capital in the manufacturing activities belies the impression that Filipinos are indifferent to invest in productive enterprises which are essential to the development and furtherance of our national economy.

PRODUCTION

Table 6. Index of physical volume of production. 1949 — 100

Year	Combined Index	Agricultural	Manufacturing	Mining
1950	111.8	108	120.9	127.5
1951	129.3	124	141.8	158.8
1952	138.9	133.3	149.3	196.1
1953	150.6	142.7	168.7	200.0
1954	165.7	158.7	189.6	192.2
1955	179.6	168	213.4	209.8
Increase from 1950	67.5	60	92.5	82.3

Table 7. Production record of Gold, Sugar, Coconut Oil, Lumber.

Year	Gold 1000 fine Ounces	Sugar Metric Tons	Coconut Oil Metric Tons	Lumber Thousand Bd. Ft.
1949	287.8	661,826	102,300	509,988
1950	334	621,119	135,000	508,104
1951	393.6	848,399	135,837	465,792
1952	469.4	976,847	145,492	436,968
1953	480.6	1,028,447	141,254	420,380
1954	416.1	1,301,158	146,730	419,314
1955	419.1	1,244,119	164,000	338,345

Table 8. Predction record of liquors and alcohol.

Year	Distilled Spirits Proof Lit.	Fermented Liquors Gauge Lit.	Wines & Imitations Gauge Lit.	Motive Alcohol Gauge Lit.	Industrial Alcohol Proof Lit.
1949	24,061,952	37,749,654	21,840	6,025,220	1,425,816
1950	51,759,601	33,547,242	18,119	13,399,647	1,331,356
1951	44,808,198	38,557,220	16,427	14,675,064	2,182,624
1952	44,231,020	43,269,357	8,758	10,188,834	5,099,947
1953	37,837,547	51,355,270	8,964	8,080,082	10,078,167
1954	40,936,146	53,168,300	18,503	6,978,876	9,999,756
1955	43,414,449	50,698,124	21,968	8,540,241	7,746,917

Table 9. Production record of Abaca & Cigars and Cigarettes.

Year	Abaca	Cigar & Cigarettes
	Metric tons	1000 pieces
1949	66,360	2,106,228
1950	96,804	7,220,580
1951	126,195	9,104,844
1952	112,246	11,126,147
1953	109,633	13,312,368
1954	100,221	14,806,646
1955	107,045	14,965,246

**Table 10. Production record of Base Metals.
(In metric tons)**

Year	Chromite	Manganese	Copper	Lead	Iron
1949	246,744	26,288	6,007	380	370,172
1950	250,511	29,867	10,384	879	599,095
1951	334,571	22,343	12,712	571	903,282
1952	543,514	20,627	13,241	2,300	1,170,350
1953	557,090	21,508	12,715	2,434	1,217,864
1954	451,185	9,393	14,349	1,827	1,424,898
1955	598,117	11,912	17,461	2,318	1,432,712

The volume and value of goods and services produced by any country are infallible indices which show the direction and trends of the total economic efforts of its people. From the above figures, one can deduce at a glance the steady and broad advances made in the volume of production of gold, sugar, coconut oil, motive alcohol, industrial alcohol, abaca, cigar, distilled spirits, fermented liquors, wines and imitations, cigarettes, chromite, copper, lead and iron.

A close examination of the index of physical volume of production of the Central Bank of the Philippines, Table 6 for the years 1950 to 1956, revealed that the combined indices for agricultural, manufacturing and mining industries show an advance of 67.6. Taken individually, agricultural industry registered an increase of 60, the manufacturing industry 92.5 and the mining industry 82.3. Of the three major industrial activities, manufacturing made the most impressive record in the physical volume of production during the six years 1950 to 1955.

**Table 11. Manufacturing production 1953-1955, classified by type of industry.
(Pesos)**

Type of industry	1953	1954	1955
Food manufacturing except beverages	36,679,874	140,174,132	172,625,095
Beverages, wines and liquor	124,900,624	125,929,895	131,112,298
Tobacco manufactures	169,301,554	152,136,642	193,286,363
Manufacture of textiles	43,925,997	34,236,866	59,757,719
Manufacture of footwear, other than wearing apparel and made-up textiles	62,803,518	63,118,918	66,631,250
Manufacture of wearing apparel except footwear	35,676,795	40,207,373	44,263,306
Manufacture of paper and paper products	25,534,623	26,777,601	34,436,840
Printing, publishing and allied industries	7,152,039	6,048,653	7,381,054
Manufacture of leather and leather products	1,420,576	2,541,492	3,058,090
Manufacture of rubber products	7,274,085	12,460,345	12,500,041
Manufacture of chemicals and chemical products	122,316,932	128,058,299	187,140,786
Manufacture of miscellaneous products of petroleum and coal	—	21,126,576	107,018,506
Manufacture of wood and cork except furniture and fixtures	7,382,718	14,997,591	21,779,890
Manufacture of furniture and fixture	5,886,803	8,097,552	7,220,137
Manufacture of non-metallic products except petroleum and coal	26,339,036	26,028,000	19,858,997
Manufacture of metal products, except machinery & transport equip.	15,176,650	15,760,258	29,067,735
Manufacture of machinery except electrical machinery, appliances and supplies	321,699	378,850	186,921
Manufacture of electrical machinery, appliances, apparatus and supplies	4,870,562	6,307,062	14,294,188
Manufacture of transport equipment	14,393,866	24,027,297	45,546,760
Miscellaneous manufacturing industries	6,790,715	7,770,490	14,000,633
Totals	83,702,058	819,515,124	1,134,606,077

A cursory analysis of the figures of production of the different types of industry for the years 1954 and 1955 will show the phenomenal increases in 9 industries ranging from 8 million to 86 million pesos. Among the spectacular up-movers are the following: Food industries gained P32 million; Tobacco manufactures, P41 million; Textile manufactures, P25 million; Paper and paper products, P8 million; Chemical manufactures, P59 million; Manufactures of petroleum products and coal, P86 million; Metal product manufactures, P14 million; Manufactures of electrical machinery, appliances, P8 million and Manufactures of transport equipment, P21 million.

Against these impressive increases, slight declines in the production of non-metallic products in the amount of P7 million were registered; manufactures of machinery, except electrical machinery and appliances, P192,000 and manufactures of furniture and fixture except wood manufactures, P1 million pesos.

Undoubtedly the biggest producers of goods and services which ultimately contribute to the economic wealth of the country are the Filipinos themselves, followed by the Chinese. The Americans made a poor third. Thus the greatest honor goes to Filipino capital, labor and ingenuity.

Table 12. Value of production of 1,642 producers and manufacturers in 1954 as compiled from the Producers Quota Revision Report of the Central Bank of Philippines, by Nationality.

Filipino	P522,816,109.64
American	184,278,623.27
Chinese	225,089,063.44
British	9,152,606.00
Others	68,072,484.66
Total	P1,009,408,887.01

**Table 13. National income derived from agriculture, trade and manufacturing.
(Million pesos)**

Year	Total National Income	Agriculture	Trade	Manufacturing
1952	6,952	2,800	831	952
1953	7,324	3,088	780	995
1954	7,358.2	3,161.9	781.2	1,011.7
1955	7,804	3,276.3	860.6	1,140.4

With our expanding population, economic output must likewise expand faster than population for that is the only hope and promise of improved standards of living throughout the world.

With the increase in industrial production, the national income or wealth of the country must necessarily increase in like manner as shown in the above table.

It is insignificant to compare the pace of increase of income originating from trade and commerce and from manufacturing within the four years which covered 1952-1955. While from trade and commerce only P29 million was registered as the total increase, in manufacturing P180 million was added to the income of the country, indicating that manufacturing activities are contributing more than commerce and trade.

For the year 1955, manufacturing contributed P1,140 million to the total national income which is equivalent to 14.2/7%.

The tremendous amount of essential and consumers goods made available by local manufacturing industries to supply the needs of our people not only helped to counteract the upswing of prices brought by the diminishing inventories of imported goods, but the employment opportunities generated in the manufacture of said articles have certainly eased a little the unemployment situation obtaining at present.

Table 14. Industrial loans outstanding by the Rehabilitation Finance Corporation.
(Thousand pesos)

Year	Amount
1949	P 61,681
1950	73,105
1951	97,013
1952	129,205
1953	149,886
1954	151,751
1955	153,306

A steady increase in the industrial loans granted by the Rehabilitation Finance Corporation as indicated in the above figures is one of the main factors for the corresponding augmentation of industrial production in the Philippines.

Given more liberal financing in consonance with general industrial banking practices, Philippine industry's dream to revolutionize the economy of the country will be eventually attained.

Table 15. Volume of production of the Manila Electric Company.
(kilowatt hours)

Year	Quantity
1947	255,979,080
1948	361,510,908
1949	420,491,136
1950	458,576,016
1951	497,722,196
1952	557,458,489
1953	628,356,709
1954	701,684,742
1955	782,750,265

Another index of industrial progress may be deduced from the amount of electrical power produced in the country. Electricity is a necessity in any industrialization program. The above figures showing the steady rise in electricity production are signs of expanding industrial activities and we can safely conclude that such rapid rate in power production has contributed immensely in enlarging the productive capacity of our manufacturing establishments. Available supply of cheap power is a great stimulus to a faster economic growth.

With the increasing trend in industrial production from 1950 to 1955, there was also registered a parallel surging gross sales and receipt in manufacturing and mining as reflecting in the above index although in a slighter varying degree. Rate of sales and receipts in mining was sharper than in manufacturing due to the big demand for minerals all over the world especially from industrialized countries like Japan, the United States and other countries while manufactured articles had to contend against similar imported finished products.

Table 16. Gross sales and receipt index of manufacturing and mining.

Total	Manufacturing	Mining
1949	100	100
1950	113	135.5
1951	133.6	172.1
1952	129.9	197.6
	1951=100	
1951	100	100
1952	97.8	113.5
1953	103.6	119.3
1954	110.2	120.3
1955	109.2	122.2

Table 17. Raw materials imported. F.O.B. Million pesos.

Year	Amount
1949	503.2
1950	353.7
1951	530.6
1952	428.6
1953	491.2
1954	541.8
1955	610.5

The sudden drop in the importation of raw materials needed by manufacturing industries in 1950 can be attributed to no other factor than the imposition of import controls. However, from 1952 to 1955, the rising tendency in importation was very noticeable specifically in 1955 when it hit an all-time high of P610,000,000 compared with only P428,600,000 in 1952. This came about because of the persistent demand of legitimate producers and manufacturers for bigger dollar allocations for the purchase of much-needed raw materials to keep their factories in operation which the Central Bank of the Philippines had to yield after realizing the reasonableness of the demand and in the interest of the economy as a whole. No doubt this has contributed to the increased industrial productivity of the country.

Table 18. Raw material consumption of 1,642 producers and manufacturers in 1954. (Producers' Quota Revision, Central Bank of the P.I.)

By Nationality	
Filipino	P277,722,706.68
American	78,841,716.44
Chinese	148,090,593.54
British	10,126,335.57
Others	33,084,882.33
Total	P547,866,234.56

Table 19. Raw material consumption of 1,642 producers and manufacturers in 1954 classified by industry. (Producers' quota Revision, Central Bank of the Philippines)

Kind of Industry	Amount
Chemicals, medicinal & pharmaceutical products, drugs, tobacco & beverages	P199,026,351.74
Textile, wearing apparel and made-up textile articles	134,690,506.34
Agricultural, livestock, mining and quarrying & food manufactures	89,483,172.38
Metal products, basic metals, machinery, transportation equipment, construction electricity, gas and steam	53,195,767.16
Wood, cork, furniture, paper and pulp, printing and publishing and non-metallic products	39,480,391.41
Footwear, rubber and leather products and plastics	27,117,085.59
Transportation, communication services, storage, warehousing and other manufacturing industries	4,878,959.94
Total	P547,866,234.56

Table 20. Net sales of 1,642 producers and manufacturers in 1954 classified by nationality. (Producers' Quota Revision, Central Bank of the Philippines).

Filipino	P779,761,704.92
American	370,816,933.38
Chinese	307,773,179.81
British	10,750,682.00
Others	91,501,723.90
Total	P1,560,604,224.01

The 1,642 producers and manufacturers who are quota holders consumed more than $\frac{1}{2}$ billion pesos worth of raw materials in 1954 as per survey of the Central Bank of the Philippines. Consuming the most quantity of raw materials were the chemicals, medicinal & pharmaceutical, drugs, tobacco and beverage manufacturers with P199,020,351.74, followed by textile, wearing apparel manufacturers with P134,690,506.34

and the poor third was the agricultural, livestock, mining and quarrying & food products manufacturers with P89,483,172.38.

Comparing value of production of the said 1,642 producers and manufacturers, Table 12 with the raw material consumption, Table 18, it can be noted that with P547,866,234.56 raw material consumption, an amount of P1,009,408,887.01 in finished products was manufactured to meet the needs of the country.

Again comparing Table 19 and Table 20, it appears that with raw material consumption of P547,866,234.56 the 1,642 producers and manufacturers were able to generate sales in the staggering amount of P1,560,604,224.01.

This array of figures presented above from Table 1 to Table 20, represents the outstanding accomplishments of Philippine industry in its attempt to attain the national objectives of industrialization from the angle of (1) capital investments, (2) volume and value of production, (3) contribution to the national income of the country, (4) gross value and receipts, (5) raw material consumption and (6) net sales made.

(To be Continued)

The Passing of Colonialism in Malaya

By Sir Sydney Caine*

British colonialism in Malaya may be looked back on as a kind of umbrella under whose shelter two different societies grew in vigour and strength until they combined to discard the protecting cover. The order established by British administrators on the one hand enabled the Malay political organisms to preserve and consolidate themselves in a new milieu and on the other encouraged the development of rich new economic organisms by immigrant peoples, partly British but preponderantly Asian. Before Britain entered on the scene the Malay peninsula was thinly peopled, with a settled population only in the lower river valleys. It had never formed a single political unit and out of the struggles of rival local empires nine distinct states survived into the nineteenth century. The great bulk of the population were Malay by race and Muslim by religion, although there had long been traders of other races. Economically the peninsula, having none of the spices of the archipelago, attracted interest mainly as a centre of trade with surrounding countries.

Three factors determined the pattern of British intervention: the basic British interest in trade, the geographical position and contacts of the Malay peninsula, and the lack of economic enterprise among the Malays. Wishing to establish trading centres and later to promote internal economic development, Britain inevitably sought co-operation with the economically more active inhabitants of Malaya's great neighbours in India and China. At the same time sentiment and policy alike led to the desire to disturb the Malays as little as possible. Peace in the Malay peninsula was important for shipping moving in the area and onward to the Far East, for trade based on its ports and later for the economic development of the peninsula itself. Nobody ever so formulated it, but it was as if a bargain had been struck under which the Malays were guaranteed protection in their own ways in return for their acquiescence in the economic changes going on around and amongst themselves.

The Early Trading Centres

British activity in Malaya began with the creation or conquest of small trading centres: Penang in 1786; Malacca in 1795; and Singapore in 1819. Their trade—with the Dutch

islands of the archipelago, with Siam and with more distant China rather than with the mainland of Malaya—grew steadily; and immigrants came in steadily from China and India.

Positive intervention in the Malay States began in 1874, when internal disorders involving Chinese tin-miners and secret societies as well as Malays threatened the trade of the ports as well as the growing interests of British subjects (European and Chinese) in the Malay States themselves. First in Perak and later in the other states of Central Malaya, Selangor, Negri Sembilan, and Pahang, treaties with the Sultans established British protection and the effective power of a British resident to control the administration. In 1895 the four states combined, as the Federated Malay States, to establish a joint government.

Broadly similar treaties were concluded in 1909 with the four northern states, Kedah, Perlis, Kelantan, and Trengganu, previously under Siamese suzerainty, and in 1914 with Johore in the south, which had been under a form of British protection since 1824; although there was less direct participation by British officials in their administration.

The Governor as a Trinity

After 1914 the administration of the whole area was supervised by a single British official: as Governor of the Straits Settlements he directly administered, in the name of the King, Singapore, Penang, Malacca, and the minor territories of the colony; as High Commissioner for the Malay States he controlled both the Chief Secretary and the Residents who administered the Federated Malay States in the names of their Rulers, and the British Advisers who supervised the administrations of the Unfederated States; and as British Agent for Borneo he was the channel of communication with the separate governments of Brunei, Sarawak, and North Borneo. It was an untidy system, but it worked. Its main cement was the Malayan Civil Service, looking to the Indian Civil Service as its model. They, and senior technical officers also, were transferred freely between the Colony and the Malay States, so that common principles pervaded all the administrations. In many vital fields there was *de facto* unity; there was one railway system, one currency, issued first by the Straits Settlements Government and later by a Malayan Currency Board; and joint operation of the post office and other technical government departments. Low customs tariffs ensured effective free trade throughout Malaya.

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This system lasted a mere two generations—in its fully developed form, covering the Unfederated States, less than one generation. Within that period great economic development took place. Tin production grew rapidly as stable government and railway construction opened up new areas for mining, with Western (and Chinese) capital and Chinese labour. Rubber was introduced in the eighties and finally surpassed tin in importance. Lesser crops and minerals followed, and secondary industry grew in Singapore, Penang, and Kuala Lumpur. A real and large growth in income per head and living standards followed.

Malays, Chinese, Indians

Parallel with this economic change went great changes in population and social conditions. The labour for the new industries was supplied principally by immigrants, coming partly from India but still more from China, while Chinese, Indian, Arab, and other traders continued to come in to Singapore and Penang. Many estate and other workers came in originally under labour contracts; but their coming, like that of the traders, was wholly voluntary. It was also largely temporary; Indian and Chinese labourers came to earn and save money and having done so—or having met a trade depression—they returned home. Although some stayed as permanent settlers few women came in so that there was a large excess of males in the immigrant communities. In 1931, of the Chinese population, less than one-third were Malayan born and there were about twice as many men as women.

The Malay population, although growing steadily in numbers, both by natural increase and by immigration from Java and Sumatra, was partly by-passed by this economic development. Malaya was lucky in being under-populated so that the new growth could flourish without killing the old. Malay rural communities were protected by the prohibition of the alienation to non-Malays of most of the previously settled lands, while land leased for rubber and other plantations was almost entirely newly cleared jungle. Most of the Malays remained occupied in rice-growing and fishing; few worked in the mines or on the new estates, although they were beginning to take up rubber growing as smallholders and a number found employment as domestic servants, car drivers, policemen, and minor Government employees.

At the outbreak of the second world war, therefore, two economies or societies flourished side by side. Malays on the one side and Chinese and other immigrants on the other were about equally numerous, although the Chinese were overwhelmingly preponderant in the ports of Singapore and Penang, and the immigrant peoples as a whole outnumbered the Malays in the developed west central area of the peninsula. Over these parallel societies ruled governments varying in legal form, with nominated multi-racial legislatures but in each case dominated by British officials. It would be absurd to suggest that this political structure gave universal satisfaction, but the demand for national independence had hardly begun to show itself. Two political questions agitated Malays in the inter-war years. On the one side was a Chinese problem of loyalties: did the Chinese in Malaya owe their primary loyalty to the Malayan authorities or to the governing powers in China? What rights should be given to Chinese Government representatives to speak for the Chinese populace and what status to the branches in Malaya of the Kuomintang? On the other hand, there was a Malay problem of relations with the individual Malay States. Could the Unfederated States be brought into some new unity with the Federated, or could the over-centralising tendencies of the Federated Malay States administrators be corrected by giving more power to the State Governments? On neither problem had a firm solution been reached.

The Impact of the Japanese Conquest

This structure was brought violently to an end by the Japanese conquest of Malaya in 1942. The forms of administration used by the Japanese left no permanent mark, but there were significant and permanent effects in political psychology. First, the magic of British power was broken; no longer could a small group of British officials secure easy acceptance of their superiority and final authority. In Malay eyes Britain had furthermore failed in her basic obligation to protect them from

outside attack. Secondly, the contrasting attitudes of Malays and Chinese towards their temporary Japanese masters—the Malays acquiescent and at least passively co-operative, the Chinese passively or actively antagonistic for reasons of "Chinese" rather than "British" patriotism—sharpened for the time being the differences between the two races, which flared up in bitter violence after the Japanese surrender in 1945. Thirdly, the smouldering opposition to the Japanese regime developed a habit and technique of positive action against "government" and appeal to local patriotism which, although initially fanned by British inspiration, were easily turned against Britain later.

During the Japanese occupation much thought and preparation were proceeding on the British side. Naturally the restoration of order and of economic life bulked large but there was also much more fundamental thought. In the generation between 1914 and 1945 a major change took place in British attitudes to colonial problems. Probably the crucial psychological change took place during or just after the first world war, but certainly by 1945 the dominant under-current of thought, whether in the Colonial Office, in Parliament or among the general public, assumed that the objective for all colonial territories should be full self-government as and when they became administratively and economically viable. The time of final change might be put a good many years ahead, but as time passed there was increasingly a willingness, if not, indeed, an impatience, on the British side to shorten the period of transition. The wartime plans and innovations of the Colonial Office, the progress in bringing "unofficials" into active participation in government, the developments in general, and especially in University, education, were all inspired by this under-current. It was a symbol rather than a cause of change that many of these ideas blossomed into practical maturity under the post-war Labour Government. The objectives of the Malayan plan therefore included not only the re-establishment of order and the reactivation of economic life both for the sake of the territory itself and for the supply to the world at large of still urgently needed primary products, but also an administrative and constitutional "tidying up" and the encouragement of local unity and patriotism as part of the preparation for future self-government.

The restoration of order was soon achieved. Economic recovery was also rapid. Since 1945 output of the main products has been higher than ever before over an equal period, and export prices have generally been remunerative. Money incomes have been higher than in almost any other country in Asia—of the order of £100 per head—and money has been available for large expenditure on development, both economic and social. Growth in expenditure on education has been especially noteworthy; in place of the comparative neglect before the war there has been a very considerable effort to provide universal education, culminating in a newly founded university.

First Steps Towards a Malayan Nation

Politically the desire at once to tidy up the pre-war political complex and to build a Malayan nation led to a simpler re-grouping, one governmental unit for the whole of the mainland of Malaya (plus Penang) and another for Singapore, which was left out of the new combination partly because of her entrepot trade and partly because of the Malay fear of being outweighed by the Chinese. The first form of the new mainland combination, a Malayan Union with citizenship rights shared equally with the Malays by the immigrant peoples, was soon attacked from many sides. Numerous Malay parties and associations sprang into existence to agitate against it; the Chinese, although they gained by citizenship rights, resented the exclusion of Singapore; and in Britain the old Malayan hands criticised the summary treatment of the Sultans and traditional Malay rights, while the left-wing suspected an attempt to stifle a budding nationalism. Accordingly in 1948 the Malayan Union was replaced by a Federation of Malaya under which the status of the Sultans and the Malays and many of the powers of the states were restored.

The episode left behind a discontent and malaise which at least facilitated the attempted communist uprising which began

in 1948; a new experience of political agitation; and a further weakening of British political and moral authority. It emphasised the fluidity of the post-war world. The successive new constitutions had each inevitably a provisional appearance. But no national unity could yet be said to have emerged. The dispute brought conflict rather than unity between the different races and even among the Malays themselves one party after another was founded and disappeared.

The Terrorist Movement

After 1948 the communist terrorist movement took the centre of the stage. The strong anti-Japanese communist guerilla force, built up with British sympathy and support, turned, after a period of uneasy co-operation with the Government and another period of attempted industrial action, to violence. Initial attempts to seize towns and settled areas failed and resort was had to terrorist attacks from jungle bases on plantations, mines, and communications, designed to disrupt economic life. The effect on current production was small, but a costly apparatus of defence and counter-terrorist activity had to be built up. "Incidents" remained numerous until 1952, but from 1953 communist terrorism could be classed with malaria as potentially very dangerous, and expensive to control, but doing little practical harm.

The net effect of the communist affair on self-government was to dispose the authorities to move fast enough to prevent the communists gaining nationalist recruits but not so fast as to weaken the security defences against communism.

Pressure Groups and Parties

Political ferment after the liberation led to the formation of many political organisations—in the absence of elected legislatures pressure groups rather than parties. On the Malay side UMNO (the United Malay National Organisation) emerged as a dominant organ, led at first by Dato Onn bin Ja'afar of Johore; and some time later the Malayan Chinese Association, founded for welfare work among Chinese displaced by the emergency, became the effective political party of the Federation Chinese. A new Independence of Malaya Party, founded by Dato Onn as a multi-racial organ aiming at self-government, failed to gain wide support; instead a working alliance grew up in the Federation between the new leaders of UMNO and the MCA. In Singapore politics developed entirely independently. The first Legislative Council elections there were held in 1948. No pan-Malayan organisations contested them; instead various unstable and purely Singapore political parties emerged with no strong racial bias.

By 1954 the position was that the Federation and Singapore had been firmly established as separate political entities; the communist insurrection was smouldering but under control; the first steps in handing over power to local representatives had been taken by including "unofficials" in the Executive Councils; and organised parties were emerging. Local residents were increasingly manning the public services (with, however, a restriction on non-Malay Asians in the Federation).

Socially the post-war years had seen significant changes; immigration never revived on the pre-war scale, so that the Chinese and Indian populations were becoming much more settled. The proportion of Malayan-born Chinese had increased to 60 per cent. by 1947, and to about 75 per cent. by 1954, while the proportion of women to men had improved to about 90 per cent. More Malays were entering the rubber industry or going into trade, so that both socially and economically the sharpness of the old contrasts between the Malay and immigrant communities was becoming blunted, while the new schools and the new university were creating a "Malayan" consciousness among the young.

The Demand for Self-Government

Two other factors strengthened the trend towards full self-government—the attainment of independence by surrounding countries (Indonesia and Burma, shortly after the war, India and Pakistan in 1947, Ceylon in 1948, the States formerly comprising French Indochina in 1954) and the more and more apparent disposition in the United Kingdom to shed imperial

powers as soon as it appeared that there was a local organ capable of taking over the essential functions of government.

Crucial decisions were therefore taken in 1954 to introduce both in the Federation and in Singapore almost wholly elected legislatures and to establish Ministerial Governments responsible to those legislatures. Elections took place in Singapore in April and in the Federation in July 1955. In the former the contestants were mainly new and hastily formed parties; none secured a majority but the Labour Front emerged as the largest, combining aspirations towards socialism with a demand for immediate self-government. In the Federation a duel between the UMNO-MCA Alliance (strengthened by the adhesion of the Malayan Indian Congress) and a new creation of dissident Malays, the Party Negara, resulted in the Alliance capturing every seat but one, on a programme based on the simple demand for independence—the "Merdeka" that became the rallying cry in both territories.

The Demand for Independence

Almost at once the two elected Chief Ministers, Tunku Abdul Rahman, leader of UMNO in the Federation, and David Marshall, leader of the Labour Front in Singapore, each presented demands for full independence. But whereas Abdul Rahman spoke for a practically unanimous legislature and for an alliance of parties which had for the moment put aside other differences to concentrate on political freedom, David Marshall headed a minority government. In Singapore a succession of strikes accompanied by some violence, plus active disaffection in the Chinese secondary schools inspired by attachment to China as much as by communist doctrine, raised serious doubts of the ability of any elected government to maintain order; while Her Majesty's Government could not ignore the role of Singapore as a military, naval, and air base. In the Federation there were no similar orders; earlier hopes of the jungle communists surrendering to government were disappointed, but the trickle of terrorist incidents at least showed no increase.

British reactions to the parallel demands for independence were therefore different. The Federation's Merdeka mission quickly secured agreement that Malaya should become an independent nation within the Commonwealth as soon as the necessary new constitution could be worked out and enacted. In the event, that was achieved by August 1957. Discussions with Singapore's Merdeka mission were less happy. The first round ended with the resignation of David Marshall, but his successor, Lim Yew Hock, achieved in April 1957 agreement on a status for Singapore falling short of full independence in that Britain retained control of foreign relations and defence. Singapore is to have a Malayan Governor and, significantly, a key role in the body charged with determining policy in any internal security emergency is to be played by a nominee of the Malayan Government, who will have a casting vote in the event of differences between the representatives of the Singapore Government and Her Majesty's Government.

A Divided State

This is the only formal recognition in the new constitutions of a link between the two territories. Amalgamation between them, which in the early post-war years was widely expected, has played no part in later politics and has not been seriously considered in the recent constitutional talks. In practical ways the territories seem to be diverging more and more. There is talk of two Central Banks instead of the present unified currency system; of separate income tax administrations, etc. The university has already a Singapore branch and a Kuala Lumpur branch. None of these divisions is mortal, and it is hard to believe that territories so closely linked geographically and economically can for ever go their separate ways; but it may well be that it is only on a basis of independence sufficient to engender mutual self-respect that the two political entities can ever amalgamate. For the moment all parties concerned seem to be disposed to let things drift along in the divided state.

That is in some ways the characteristic attitude to many of the problems the new country faces. The new Malayan constitution makes no marked change in the established pattern of internal government. Residual problems include those of

language, of resistance to communist (particularly Chinese communist) infiltration, and of the manifold relationships between the several races of Malaya. In personnel the question is how to replace with local men the Europeans who have hitherto dominated the higher administrative and technical posts without letting in a disproportionate number of Chinese and Indians who still have a long educational lead over Malays. As to language, it is agreed policy to make Malay the primary language of the country, but it remains to be seen whether the large Chinese population will in fact agree to put their own language, with its age-old cultural inheritance, in second place. As to communism, the jungle communists will presumably some day decide to turn their fanaticism and organising ability to the electoral battlefield under one disguise or another, and the issue of that is unpredictable. As to race relations, the privileges still reserved by law or custom to Malays must be in some degree irritants to the non-Malays. The main dormant issue is that of citizenship and admission to the franchise, Chinese and Indian voters being kept in a minority out of harmony with the population ratio. Supposing that situation not to be challenged at once, what will happen as the process of time brings more Chinese and Indians born in Malaya on to the electoral roll? Will they by then be real Malayan patriots, having shed any competing racial or communal loyalties?

Competing Loyalties

This indeed is the key question. The races of Malaya have very divergent cultural, religious, and linguistic affinities.

Moreover, these affinities are not with countries distant in space or time but with large, powerful, and self-conscious nations very close at hand—with Indonesia, the People's Republic of China, and modern India. Against these divergent forces are to be set the influences of geography and economics, the common, but not very deep, tradition of British administration and political thought, and the habit of working and living together in friendliness and co-operation. The Alliance Government in Malaya reflects a preference for a combination of parties representing the separate communities rather than a single non-racial party such as the IMP or Party Negara. It implies a decision of the separate groups to go on working together in the hope that unity will grow and the test of its leader, Abdul Rahman, is whether he can maintain that still provisional co-operation. In Singapore, paradoxically, there are no racial parties but less current unity, partly at least because of the more apparent threat to the growth of local patriotism from outside contacts.

This article began by describing how under British control and protection a Malay society was preserved and developed and a society of more economically enterprising immigrants was created alongside it. It ends with the story at the stage when the British overlordship has been largely withdrawn and the two societies, drawn into alliance to secure that withdrawal, are left to work out for themselves the problems of integration into a truly united Malayan nation capable of standing the stresses of competing loyalties to larger and more powerful nations in its immediate neighbourhood.

An Industrial Finance Bank in Thailand

By S. Y. Lee (Bangkok)

In spite of the great emphasis on industrial development by the Thai Government during recent years, the rate of progress is rather slow due to many reasons such as political instability, low incentive to work of labourers on account of the tropical heat and easy-going attitude of the people, the poor management of bureaucratic government industrial concerns etc. But among those reasons there are important financial obstacles which can be elaborated as follows:

(1) Scarcity of capital is one of the fundamental problems of the economy of Thailand, as is usually the case in under-developed countries. This also explains the high rate of interest in Thailand, which is as much as $1\frac{1}{2}\%$ — 2% per month for loans borrowed from private sources or even from commercial banks (inclusive of compradore's commission), with certain securities. Many active business men have not sufficient funds to carry on their existing business, not to say, to organise new industrial enterprises. Those who have money store their wealth in the form of gold, or buy land in speculation or deposit in banks particularly foreign banks as idle balance. In any case, that capital is not fully utilised for investment in industries, because commercial banks in Thailand are reluctant to make use of the deposited funds to finance industries. Commercial banks are mainly engaged in financing export and import bills (particularly export bills) not only because the nature of their establishment is such but also because turnover of capital in bill investment is prompt and bank charges and commissions are very high as compared with banking business in other parts of the world. From the standpoint of commercial banks, there is much more to be gained in financing bills than in investing in industries either for fixed capital or for working capital even though the loans are fully secured in land or property. There is less risk, more liquidity and higher profit in financing international trade than in financing industries. Thus capital is not only scarce but also cannot be utilised and diverted to proper industrial channels, due to the lack of industrial finance banks.

(2) Secondly and most important of all there are few joint stock companies in the true sense and there is no capital market. Most of the business firms in Bangkok are organised

and financed by individuals, partners or at the most families on private basis although some of them bear the name of 'company limited'. Because of their love of individual freedom, Chinese and Thai entrepreneurs are happy with their small concerns rather than combine together as a big joint stock company. Besides the lack of strict auditing system, the almost unlimited power of executive managers in the matter of company's expenses and the 'two account' practice as prevalent in this country do not encourage people to take up shares of business concerns unless they have direct control over them or have much confidence in their relatives or friends who run the business.

The amount of capital which can be mobilised from individuals, partners or families is bound to be limited. In most of modern industries, the amount of capital investment is great and is thus beyond the financial capacity of individuals or families. Since there are not many joint stock companies and people are not keen in buying up stocks and shares of business concerns sponsored and organised by other people, there is no natural economic force for the formation of a stock and share market. At the same time, when there is no stock and share market, people are less inclined to buy up companies' shares on account of the lack of liquidity of their investment; they cannot sell the shares easily in time of need. Thus the effect is cumulative. Unlike Europe or America where a man in the street can buy a few shares and contribute to the industrial wheel of the economy, here in Thailand industries cannot absorb the savings of individuals, big or small, in the whole community.

In order to overcome the aforesaid difficulties, and to stimulate proper capital formation, it is suggested to organise a 'Industrial Finance Bank' (called IFB for simplicity) whose functions should be as follows:

(1) to act as an issuing house to underwrite shares of new companies. As modern efficient industries require much capital and there is no issuing house or bank to help the formation of new industries, the IFB will underwrite, or take up some of the new shares of industrial concerns, when the new shares cannot be sold immediately to the public. While the industrial plant is to be completed, the IFB should gradually

sell out those shares to the public. With the capital thus withdrawn, IFB will in turn help and develop other new uprising industries. Thus the capital of IFB is revolved round and round and private savings of the economy can be absorbed to industries.

(2) to finance working capital and to a limited extent fixed capital of good and sound industrial concerns with bright prospect. Many infant industries have weak finance and are compelled to borrow heavily from private sources at high rate of interest when banks cannot help them to the full extent. It should be the policy of IFB to finance mainly the working capital of factories, and only to a limited extent, the fixed capital.

(3) to act as a guarantor to foreign investor so as to enable industrial shares to be floated in foreign market. As capital is scarce and interest rate high in Thailand, there is a great advantage to be gained in inducing foreign private investment. Foreign investors are usually reluctant to invest in Thailand mainly because of political insecurity, difficulty of remitting capital back to homeland in case of need and other reasons. If the IFB sponsors the floating of shares by providing proper international banking procedures, the World Bank and U.S. or U.K. governments guarantee these shares to foreign investors and the Thai Government guarantees most favoured conditions for foreign investors and free remittance of capital and interest back to home country, there may be an inducement for foreign capital into Thailand although the consideration of political instability still hangs heavily on the mind of foreign investors. At any rate, the establishment of IFB is a favourable factor in the effort of inducing foreign investment.

The capital of IFB must be great enough and is to be contributed by Thai commercial banks, World Bank and the Thai Government. More important still is that it must be away from politics and not to be controlled and influenced by politicians. IFB is to be run purely as a commercial organisation, directed by a board of directors elected by shareholders.

Thailand's Rubber Exports

The amount and value of Thailand's rubber exports from 1953 to 1957 are as follows:

Year	Amount	Value
1953	101,447.2 tons	740.4 million baht
1954	129,894.3 "	1,060.7 "
1955	132,495.0 "	1,798.7 "
1956	135,619.7 "	1,522.5 "
1957	135,537.9 "	1,410.0 "

It will be seen that the amount of rubber exported in 1957 was only 82 tons less than that exported in 1956. However, the decrease in value was as much as 112 million baht. This was due to the steady decline in rubber export prices. In 1956, the rubber export prices averaged 13.57 baht per kilogram. The average prices fell to 11.22 baht in 1956 and dropped further to 10.19 baht in 1957.

With regard to Thailand's rubber markets, the United States is still the largest buyer. However, the amount and percentage of rubber taken by the United States seems to decline, while the amount and percentage of rubber exported to other countries increase steadily. In 1956, the United States took 123,309.4 tons of rubber or about 91 percent of the country's total exports. In 1957, the amount taken by the United States fell to 119,731.2 tons or about 89 percent. Other Thailand's rubber markets, in order of importance, are Malaya, Singapore, West Germany, the United Kingdom, Italy, Canada, Japan, Australia and Hongkong. Rubber markets in 1957 were more diversified than in previous years.

As domestic consumption of rubber is very slight, only about 1 percent of the total production, almost all of the rubber produced is available for export. Thailand has experienced no difficulty in selling its rubber export surplus. This may be seen from comparing production and export figures in each year:

Year	Production	Export
1952	100,400 tons	99,428 tons
1953	98,100 "	97,108 "
1954	119,600 "	118,574 "
1955	133,270 "	132,495 "
1956	136,697 "	135,619 "

There has been a clamour from some quarters to the effect that trade embargo on rubber export to Communist China hinders Thailand's rubber exports and places Thai rubber exporters at a disadvantage as they have to sell their rubber at lower prices than Indonesian and Malayan rubber exporters. To solve the rubber export problem, they suggested that the export embargo be lifted. It is very doubtful whether the lifting of the embargo will bring about any improvement in the rubber export situation as the problem is not one of lacking markets but of declining export prices. However, Thai export prices are in line with the world prices. Two years ago Communist China paid a premium of about 4 percent for Ceylon rubber in order to induce Ceylon to sell her rubber as she could not obtain rubber from other countries. Now Communist China can also purchase rubber from Malaya, so Communist China discontinued to pay premium for Ceylon's rubber.

The decline in natural rubber prices is attributable to the competition from synthetic rubber. At present, synthetic rubber is sold at lower prices than natural rubber as their production costs are lower. In order to effectively compete with synthetic rubber, production costs of natural rubber must be lowered. This can be achieved by replanting program. As rubber trees are mostly old and yield relatively little amount of latex, they should be replaced by new trees with high yielding. The solution to the rubber problem then lies in the replanting program which will enable Thailand to lower production costs of rubber. However, as small holders cannot afford to pay replanting expenses, the government must give assistance in this matter. It is gratifying to note that the Cabinet has recently approved a bill drafted by the Ministry of Agriculture for collection of a special tax fee from rubber exporters for a fund to provide assistance to rubber growers for replanting purposes.

Far Eastern Reports

ATTACKS ON BUDDHISM IN CHINA

A local Communist newspaper, the Wen Hui Pao, recently reported the arrest in Canton of Pen Huan, abbot of the Nan Hua Monastery near Shaokwan in Kwangtung. Pen Huan was the most prominent Buddhist the Chinese regime has arrested so far. The monastery of which he was abbot is famous as the Monastery of Hui Neng, the 6th Patriarch, and is in effect the fount of Zen Buddhism as it exists today in China. It was the first announcement of the arrest of any Buddhist figure in China since the Bandung Conference of 1955, when Chou En-lai launched a campaign to bring about closer relations between the Buddhist countries of Asia and China. Previously, however, the Buddhists had suffered greatly at the hands of the Peking regime. During the first campaign for the "suppression of counter-revolutionaries", which was launched in late 1950 and ended towards the end of 1952, abbots, Buddhist monks and nuns were forced to abandon their vocations for "productive labour". During this period the Communists completed the confiscation of monastery lands.

After the first "suppression" campaign, the Buddhists were told that they must play an active role in the country and take part in "struggle", although the Communist Party doctrine of class hatred and struggle is the very antithesis of Buddhism. The election law, promulgated in March 1953, disenfranchised all Buddhists unless their organizations were members of the Government-sponsored Buddhist Association and their individual political behaviour beyond doubt.

The arrest of Abbot Pen Huan was part of a revived campaign directed against religious groups, which started late in 1957 in conjunction with the "anti-rightist struggle". Pen Huan was accused of attacking "various Party policies, particularly the policy on religion" as well as "alienating Buddhist followers from the Communist Party and the People's Government". Pen Huan had been brave enough to state that there was no freedom of religious beliefs in China "before monks and before Buddhist devotees from abroad" (whom the regime is particularly anxious to mislead for purposes of external propaganda).

Further charges made by the Communist prosecutor were equally revealing. Many people had attended the birthday celebrations of the 6th Patriarch at the monastery in 1954. In the interest of maintaining social order, it was officially stated, public security officers summoned Pen Huan and others to obtain his help in doing a good job of public security work, and to attend to the registration of visitors in accordance with recent regulations. On returning to the monastery, Pen Huan told the monks ("with malicious intentions") that this was a trap laid by the Government and that "freedom of belief was false". Pen Huan "strongly resented land reforms, saying that 'it is difficult to forget this hatred in a life time' . . ." He claimed that participation in higher grade agricultural producer co-operatives "lead to nowhere"; he also used his religious position "to obstruct monks from joining co-operatives". Pen Huan went to the extent of telling his Buddhist followers—with these conditions in mind—that "the Communist Party is dictatorial and overbearing".

DANGERS IN BURMA

In his meeting with Burmese merchants and traders on July 21 (part of a series of consultations with various groups of society), the Prime Minister, U Nu, spoke of the dangers of Chinese Communism. "Confusion and unrest", he said, "open the door to Communism". He urged Burmese traders to prevent economic chaos by dealing honestly and giving "a fair return to the people". Meanwhile surrenders of rebels are going on in response to the Prime Minister's appeal for a "return to the democratic fold". Although in the ten years of insurrection there have been over 38,000 surrenders to the Government, including more than 8,000 from the Communist Party of Burma.

Nevertheless, the latter is still refusing to accept the Government's proposals, insisting instead on its own terms—"face to face" negotiations as equals, no "surrender", and legislation of its armed forces as well as the Party organization. Acceptance of these terms, as the Government realizes, would in fact amount to its surrender to the Communists—to the Party which attempted, and nearly succeeded, in overthrowing the legitimate Government by armed force in answer to the dictates of a foreign power and in the pay of the Peking regime. The Communists are even trying to prevent the other rebels from surrendering. Two leaders of the People's Volunteer Organization, who recently surrendered, told of Communist treachery and their own narrow escape from assassination. The two leaders said that gradually the realization had come to them that the real sufferers in the civil war were the people. With U Nu's peace offer, it became even more clear to them that the path of armed insurrection was no longer necessary. When orders were received from the PVO Central Committee for all their followers to lay down their arms, the Communist and Karen rebels in the Insein region held a secret meeting, at which they decided to kill the PVOs, seize their arms and force the villagers either to pay 5,000 Kyats each (£350 sterling) or be slaughtered. The PVOs were warned in time by a friendly Karen and slipped out to safety.

Already almost all the Mon rebels have now surrendered to the Government in the Moulmein and Thaton districts, while full arrangements have been made for the early complete surrender of all PVO forces—some 3,000 in all.

SINGAPORE: "PARDON FOR PRODIGALS"

The Singapore Chief Minister, Mr. Lim Yew Hock, recently said he was happy to read that two girls and a man who returned from China had "unburdened their hearts". He was commenting on the story about the life of hardships and

privation in China as exposed by two former Chinese school students and a trade unionist. Mr. Lim said: "I hope this disclosure will make the misguided youths of Singapore wake up to the trap they had unwittingly fallen into." He said he would call a meeting of parents as well as others who had written to him, to discuss the conditions under which the Government could allow their children to return from China.

So far, about 400 youths have returned to Singapore under Mr. Lim's "pardon for prodigals" policy during the past one-and-a-half years. Applications from 500 more are pending. "Every application will be carefully and sympathetically considered according to individual circumstances and merits," he said. He added: "I always believe in giving others a chance to turn over a new leaf. In life, everybody makes mistakes." However, each application would be carefully scrutinised to ensure that the re-entry of these "prodigals" would not jeopardise internal security. Unfortunately the danger to Singapore's future exists in spite of reassuring reports about better race relations. A large number of Chinese, born in China, are bent on making Singapore into another Chinese province, and they are consequently frustrating all efforts to integrate Singapore with Malaya. The number of Chinese sympathetic with the Peking regime is large—much larger than is usually admitted. Pessimism is a wise attitude to be adopted when viewing political developments in Singapore.

EAST GERMAN PROJECT IN INDONESIA

A large sugar factory at Jogjakarta, constructed with East German assistance and the first major Communist Bloc economic aid project to be completed in Indonesia, broke down entirely in June, shortly after being put into commission. The factory, which was due for completion in August 1956, was only opened on May 29 by President Sukarno, having been under construction for more than 2½ years. Finance had been provided by an East German credit of nearly 100 million rupiahs (approximately US\$7.5 million), under an economic and technical aid agreement signed with East Germany in February 1955. The factory was scheduled to have a capacity of 2,500 tons a day. The breakdown of the mill caused the loss of a considerable quantity of sugar and the Indonesian Islamic Labour Organization (SBII) called on the Government to seek indemnity from East Germany. The East German trade representative in Djakarta issued a statement alleging that the machinery had failed because of the presence of a piece of iron in the sugarcane, but according to an Indonesian press the Indonesian manager of the factory rejected this explanation; he claimed that sugar factories in Indonesia have often experienced the presence of pieces of iron, chains or even crowbars in their sugarcane but this usually held up operations only for several hours and did not cause complete breakdown.

The failure of this sugar mill has damaged the prestige of the Communist Bloc's foreign aid programme in Indonesia and it is doubtful whether this loss of prestige will be made good to any appreciable extent by the next Communist project to be completed, which will be a tyre and rubber goods factory now under construction with economic assistance from Czechoslovakia. This project, provided for under an agreement of May 1956, has also been lagging behind schedule and no certain date appears to have been set for its completion.

About 75 East German technicians have been working on the sugar factory, while at least 20 Czechs are proceeding with the leisurely installation of the tyre factory. But there are prospects of Communist technicians arriving in large numbers, following the acceptance in February of a \$100 million credit from the USSR. These prospects have aroused widespread uneasiness and some deputies have expressed concern over the possibilities of subversion by these foreign Communist technicians.

The Indonesian authorities, while accepting aid offered by Eastern European communist countries, are most anxious to avoid any entanglement with China. The large Chinese community, looking down on the Indonesians and taking pride in their culture and language, is considered a mortal danger to the future of the Indonesian nation, and therefore any contact with China is being discouraged. Thus there is strong aversion to any political-investment business offered by Peking, and a welcome is only extended to Eastern European advances.

Hongkong's Trade in September and January/September 1958

The value of the Colony's trade during September, compared with those for the preceding month, showed increases of \$36.85 million in imports and \$13.88 million in exports. Exports of products wholly or principally of Hongkong origin in September were \$4.25 million higher than in August. The increases were to some extent caused by the fact that the last two days in August were holidays; imports and exports covered by declarations, which would otherwise have been submitted on these days, were therefore included in the figures for September instead of August.

Total exports for September were valued at \$249.38 million as against \$235.49 million for August, and imports rose from \$339.31 million to \$376.16 million. Imports from China were \$19.85 million above the August figure, and exports to Malaya increased by \$4.88 million.

Total exports during the first nine months of the year were valued at \$2,135.11 million, a decrease of \$130.44 million over the same period last year; imports fell by \$594.73 million to \$3,307.87 million. Significant increases were recorded in exports to the United States and the United Kingdom, by up \$93.70 million and \$39.02 million respectively. Japan reduced her purchases from the Colony by \$125.33 million, and Indonesia by \$90.18 million.

China remained the principal supplier, and increased her exports to the Colony by \$126.34 million. Large decreases were recorded in imports from the United Kingdom, Japan, the United States and Belgium, down by \$117.78 million, \$101.08 million, \$84.25 million and \$61.34 million respectively. The following table shows the important changes in the direction of the Colony's trade for the first nine months of the year compared with the corresponding period in 1957.

EXPORTS

Country	Total for Jan./Sept. 1958	Total for Jan./Sept. 1957	Increase/ Decrease
	\$ MILLION	\$ MILLION	\$ MILLION
U.S.A.	230.88	137.17	+ 93.70
United Kingdom	284.13	245.11	+ 39.02
Japan	81.19	206.52	-125.33
Indonesia	155.40	245.58	- 90.18
Laos	20.99	42.17	- 21.17

Commodity	Total for Jan./Sept. 1958	Total for Jan./Sept. 1957	Increase/ Decrease
	\$ MILLION	\$ MILLION	\$ MILLION
Clothing	379.56	322.47	+ 57.09
Footwear	74.43	52.61	+ 21.81
Ores and metal scrap	27.92	85.99	- 58.07
Textile yarn and piecegoods	490.07	541.34	- 51.28
Textile fibres	18.80	63.24	- 44.43
Base metals	51.49	93.35	- 41.86

IMPORTS

Country	Total for Jan./Sept. 1958	Total for Jan./Sept. 1957	Increase/ Decrease
	\$ MILLION	\$ MILLION	\$ MILLION
China	957.40	831.06	+126.34
United Kingdom	390.50	508.28	-117.78
Japan	442.25	543.33	-101.08
U.S.A.	339.29	423.54	- 84.25
Belgium	36.83	98.17	- 61.34
Pakistan	27.58	77.43	- 49.85
Switzerland	102.29	143.78	- 41.49
Thailand	116.54	154.85	- 38.31
India	34.98	70.25	- 35.27
Taiwan	32.55	63.61	- 31.05
Indonesia	69.85	97.65	- 27.80

Commodity	Total for Jan./Sept. 1958	Total for Jan./Sept. 1957	Increase/ Decrease
	\$ MILLION	\$ MILLION	\$ MILLION
Live animals, chiefly for food	169.34	125.96	+ 43.38
Textile yarn and piecegoods	525.96	671.93	-145.96
Base metals	144.08	289.06	-144.99
Textile fibres	175.91	251.69	- 75.79
Scientific instruments; photographic and optical goods; watches and clocks	121.81	177.06	- 55.26
Ores and metal scrap	6.05	58.56	- 52.52
Animal and vegetable crude materials, inedible ..	107.35	143.00	- 35.65
Transport equipment	61.85	86.68	- 24.83
Paper, paperboard and manufactures	78.59	102.28	- 23.68

The value and volume of trade conducted through the post as reported on Form C. & I. 254 during September 1958, compared with the preceding month were as follows:—

	September 1958	August 1958
No. of returns received	247	236
Despatched		
No. of parcels	3,218	3,752
Value	\$1,019,251	\$1,161,298
Received		
No. of parcels	2,420	2,393
Value	\$1,188,075	\$1,183,598

EXPORTS OF HONGKONG PRODUCTS

The value of products wholly or principally of Hongkong origin exported during September amounted to \$98.10 million, an increase of \$4.25 million over the total for August. The September 1958 total represented 39.3 per cent of the Colony's total exports for the month, and was \$6.93 million less than the value for the corresponding month in 1957. Total exports of Hongkong products for the first nine months of 1958 were valued at \$918.66 million, and were higher by \$23.39 million than those for the same period in 1957. The United Kingdom increased her purchases from \$206.04 million in 1957 to \$237.84 million in 1958, and maintained her position as the largest customer so far this year. The United States increased her purchases by \$58.18 million to \$152.36 million, and was in the second place. Exports to Indonesia fell by \$31.89 million, and to the Philippines and the Union of South Africa, by \$13.90 million and \$10.12 million respectively. The following table shows the important changes in the export of Hongkong products during the first nine months of 1958 compared with the corresponding period in 1957.

Country	Total for Jan./Sept. 1958	Total for Jan./Sept. 1957	Increase/ Decrease
	\$ MILLION	\$ MILLION	\$ MILLION
U.S.A.	152.36	94.18	+ 58.18
United Kingdom	237.84	206.04	+ 31.80
Federal Republic of Germany	29.89	15.03	+ 14.85
Indonesia	41.89	73.77	- 31.89
Philippines	16.22	30.12	- 13.90
Union of South Africa	18.20	28.32	- 10.12

Commodity	Total for Jan./Sept. 1958	Total for Jan./Sept. 1957	Increase/ Decrease
	\$ MILLION	\$ MILLION	\$ MILLION
Outerwear, other than knitted, not embroidered, n.e.s.	139.79	85.71	+ 54.08
Footwear	72.88	51.81	+ 21.07
Toys and games	47.51	37.29	+ 10.22
Cotton yarn	65.31	84.10	- 18.79
Shirts	53.58	64.32	- 10.74

Major exports of Hongkong products during the first nine months of the year in order of value were: cotton piecegoods (\$163.54 million), outerwear, other than knitted, not embroidered, n.e.s. (\$139.79 million), footwear (\$72.88 million), cotton yarn (\$65.31 million), shirts (\$53.58 million), enamelled household utensils (\$48.29 million), toys and games (\$47.51 million), gloves of all materials, except rubber gloves (\$43.56 million), underwear and nightwear, knit or made of knitted fabrics, except cotton singlets and shirts (\$25.09 million), cotton singlets (\$23.52 million) and electric torches (\$22.72 million).

Certification of Hongkong Products—Thirty-six factories were registered for the issue of Certificates of Origin and/or Imperial Preference Certificates and 18 for the issue of Comprehensive Certificates of Origin. Application for registration was refused in 19 cases, nine of which were for the issue of Comprehensive Certificates of Origin. Fifteen factories were removed from the register. Registration was restored to nine factories and registration of 22 factories was suspended, mainly pending compliance with new procedures. Certificates of Origin of all kinds and Imperial Preference Certificates prepared and/or signed during the month numbered 19,119 and covered goods to a declared value of \$72,541,315.

EXPORTS OF HONGKONG PRODUCTS (By COMMODITIES)

Commodity	September 1958 HK\$	Jan./Sept. 1957 HK\$	Jan./Sept. 1957 HK\$
Fish in airtight containers	103,595	1,213,452	1,494,516
Fruits, preserved	1,347,886	10,650,160	10,377,566
Jams and fruit jellies	75	315	1,807
Fruit juices, unfermented	12,745	203,466	279,861
Ginger, preserved	1,220,377	7,726,293	6,949,319
Non-alcoholic beverages	108,509	827,948	879,708
Beer	7,816	51,048	4,289
Cigarettes	515,382	4,458,558	1,471,112
Iron ore	359,784	3,156,201	3,066,472
Tungsten ore	—	23,400	31,500
Seagrass	4,532	60,439	73,433
Lacquers and varnishes	314,703	2,108,563	2,130,751
Paints, enamels, and mastics	951,116	8,391,076	9,532,018
Cotton yarn	6,859,542	65,307,303	84,101,301
Cotton piecegoods	18,538,809	163,542,782	172,934,926
Towels, not embroidered	886,941	10,102,437	8,878,080
Linen, embroidered	1,827,657	11,439,708	11,226,833
Cement	416,915	5,337,573	4,801,557
Vacuum flasks (glass inners only)	77,981	575,299	261,596
Iron and steel bars	355,647	4,408,789	8,382,343
Household utensils, enamelled	5,927,836	48,285,490	48,455,665
Household utensils, aluminium	551,606	5,165,223	6,377,453
Torch batteries	901,210	8,107,897	8,139,966
Torch bulbs	358,459	3,508,838	3,046,122
Electric torches	3,057,045	22,718,679	32,494,933
Lanterns, metal	558,190	8,958,621	11,848,383
Furniture and fixtures	894,409	7,342,007	7,445,143
Furniture of vegetable plaiting materials (bamboo, straw, willow, etc.)	1,638,771	17,450,087	19,042,676
Travel goods (trunks, suitcases, travelling bags, dressing cases, shopping bags, haversacks, packs and similar articles) of all materials	732,315	7,812,873	7,352,974
Handbags, wallets, purses and similar articles of all materials	519,157	4,153,969	5,236,833
Stockings and hose	729,872	7,879,465	10,177,633
Cotton singlets	2,523,208	23,516,400	28,302,810
Underwear and nightwear, knit or made of knitted fabrics (except cotton singlets and shirts)	1,229,947	25,091,124	21,775,350
Outerwear, knit or made of knitted fabrics	1,819,279	8,141,761	5,903,061
Underwear and nightwear, embroidered	341,790	2,161,910	3,466,511
Shirts	6,639,518	53,579,431	64,315,499
Outerwear, embroidered	486,602	5,006,275	6,913,244
Outerwear, other than knitted, not embroidered, n.e.s.	10,639,008	139,786,457	85,708,526
Clothing of rubberized, oiled and similar impermeable materials (including plastics)	662,291	7,433,893	8,727,439
Gloves and mittens of all materials (except rubber gloves)	5,541,933	43,556,682	46,885,630
Articles of clothing (e.g., handkerchiefs, shawls, etc.), embroidered, n.e.s.	1,339,687	6,772,178	4,524,506
Footwear	7,408,714	72,879,049	51,811,184
Matches	1,4,604	1,549,472	620,778
Umbrellas, parasols, walking sticks, and similar articles	682,866	7,226,069	8,455,290
Buttons and studs of all materials except those of precious metals	988,119	11,310,788	12,218,053
Plastic articles	1,012,026	7,949,498	8,202,959
Articles of basketware or of wickerwork, n.e.s.	865,759	8,200,019	7,871,479
Toys and games (including baby carriages, playing cards)	5,422,064	47,505,782	37,286,658
Vacuum flasks, complete	562,912	6,000,529	5,975,255
Total:	98,099,189	918,655,276	895,261,001

EXPORTS OF HONGKONG PRODUCTS (By COUNTRIES)

Country	September 1958 HK\$	Jan./Sept. 1958 HK\$	Jan./Sept. 1957 HK\$
British Commonwealth			
Aden	449,702	4,915,076	4,828,397
Australia	3,689,768	29,235,602	26,433,915
British Borneo	1,057,712	8,785,759	8,895,520
British East Africa	2,054,096	15,768,577	19,346,090
British Mediterranean Territories	262,829	3,097,316	4,668,377
British Oceania, n.e.s.	142,228	1,054,915	914,854
British West Africa, n.e.s.	1,826,672	10,366,162	15,486,882
British West Indies	1,812,491	13,648,834	12,723,134
Canada	2,389,667	21,611,318	17,068,500
Central African Federation	549,229	4,643,321	8,613,132
Ceylon	756,188	5,710,921	5,229,695
Fiji	254,132	2,676,590	1,413,358
India	76,342	486,257	1,852,131
Malaya	6,539,278	75,270,443	72,208,671
Mauritius	372,994	3,338,466	2,573,772
New Zealand	733,700	6,775,325	7,812,749
Nigeria	3,516,806	23,843,027	17,460,012
Pakistan	134,562	1,174,134	768,071
Union of South Africa	1,899,221	18,198,709	28,319,689
United Kingdom	25,259,789	237,843,571	206,040,077
British Commonwealth, n.e.s.	1,350	163,539	93,929
Asia			
Burma	718,208	3,803,528	10,961,425
Cambodia	104,244	2,393,677	5,035,489
China	173,782	735,212	2,766,695
Taiwan	139,825	806,603	1,976,961
Indonesia	2,337,292	41,885,816	73,772,806
Japan	555,864	5,358,489	5,135,132
Laos	341,062	6,246,338	14,502,808
Macao	461,767	4,352,209	5,186,519
Middle and Near East	1,507,493	14,665,228	12,542,975
North Korea	—	475	—
North Vietnam	—	148,486	28,211
Philippines	2,036,840	16,223,823	30,123,064
South Korea	121,102	2,453,883	587,003
South Vietnam	310,695	1,551,638	1,145,694
Thailand	2,311,289	28,901,362	31,418,593
Asia, n.e.s.	42,847	567,021	1,026,017
Europe			
Austria	3,060	56,229	4,604
Belgium	326,152	2,890,609	2,399,103
Denmark	194,271	2,040,928	2,480,459
France	217,326	2,341,309	2,902,372
West Germany	4,411,423	29,887,013	15,034,785
Italy	314,614	1,943,771	979,182
Netherlands	888,948	7,188,071	5,122,483
Norway	306,201	4,412,403	2,337,534
Sweden	1,026,930	9,508,018	5,601,747
Switzerland	67,429	1,225,198	554,641
Europe, n.e.s.	94,337	1,197,683	579,902
Africa			
Belgian Congo	470,394	4,814,548	9,384,994
Egypt	5,970	13,106	20,425
French Equatorial & West Africa	3,560,170	21,951,143	24,879,911
French North Africa	113,834	681,256	1,726,300
Madagascar	201,533	1,934,255	3,002,134
Africa, n.e.s.	1,358,692	11,239,835	17,276,988
America			
Argentina	75,933	286,671	48,856
Brazil	24,743	492,183	170,359
Central America, n.e.s.	1,418,370	12,748,757	15,889,132
Cuba	82,511	1,710,531	1,906,930
Haiti	153,702	1,289,989	635,604
Mexico	106,444	840,831	1,426,020
South America, n.e.s.	321,994	3,313,495	4,988,095
U.S.A.	13,482,642	152,363,647	94,182,564
Venezuela	1,149,821	8,210,063	6,553,148
Oceania			
United States Oceania	1,164,349	10,716,936	10,426,328
Oceania, n.e.s.	716,330	4,664,148	5,786,134
Total:	98,099,189	918,655,276	895,261,001

IMPORTS AND EXPORTS (BY COUNTRIES)

Country	September 1958	Jan./Sept. 1958	Jan./Sept. 1957	September 1958	Jan./Sept. 1958	Jan./Sept. 1957
	IMPORTS			EXPORTS		
	HK\$ MILLION			HK\$ MILLION		
British Commonwealth						
Aden	—	0.06	0.23	0.60	6.71	6.91
Australia	7.16	72.62	92.37	7.66	57.28	45.73
British Borneo	3.15	26.15	36.24	3.95	30.15	29.17
British East Africa	2.21	40.88	44.48	2.42	18.69	23.88
British Mediterranean Territories	0.07	0.15	0.01	0.34	4.09	5.70
British Oceania, n.e.s.	0.13	2.17	1.37	0.21	1.83	1.63
British West Africa, n.e.s.	—	—	—	2.29	12.71	17.52
British West Indies	0.04	0.24	0.27	2.82	19.43	17.35
Canada	2.87	31.85	41.51	3.79	36.01	31.91
Central African Federation	0.16	3.55	2.07	0.92	7.12	12.03
Ceylon	0.52	4.20	4.35	1.92	12.23	11.50
Fiji	—	0.01	0.10	0.36	3.46	2.07
India	5.87	34.98	70.25	0.64	6.99	11.01
Malaya	7.37	78.80	73.55	27.19	275.82	270.67
Mauritius	0.79	6.38	0.54	0.59	4.71	3.75
New Zealand	0.33	2.13	3.76	1.57	13.64	12.46
Nigeria	—	0.02	—	4.05	28.57	20.24
Pakistan	2.24	27.58	77.43	0.40	3.25	2.79
Union of South Africa	3.54	37.99	31.02	2.80	24.28	33.93
United Kingdom	44.69	390.50	508.28	32.16	284.13	245.11
British Commonwealth, n.e.s.	0.01	0.03	0.18	0.01	0.24	0.15
Asia						
Burma	1.20	10.79	15.01	3.19	18.41	37.68
Cambodia	2.50	43.94	45.78	1.57	19.67	35.35
China	125.95	957.40	831.06	20.69	99.56	96.28
Taiwan	6.12	32.55	63.61	4.17	47.22	44.43
Indonesia	8.58	69.85	97.65	15.57	155.40	245.58
Japan	—	442.25	543.33	7.36	81.19	206.52
Laos	3.16	0.08	0.42	1.48	20.99	42.17
Macao	3.16	28.28	31.51	4.42	42.51	49.10
Middle and Near East	5.03	48.27	41.44	3.37	31.04	23.00
North Korea	—	0.03	—	—	0.04	—
North Vietnam	1.11	11.89	17.93	4.16	32.27	24.30
Philippines	0.23	5.63	16.95	3.64	39.08	54.29
South Korea	1.41	5.14	14.93	4.37	40.42	50.03
South Vietnam	0.14	3.94	3.64	2.48	15.02	28.98
Thailand	9.07	116.54	154.85	14.15	146.97	136.73
Asia, n.e.s.	—	—	0.01	0.09	0.99	1.40
Europe						
Austria	0.90	9.29	11.91	0.01	0.09	0.07
Belgium	3.76	36.83	98.17	2.31	14.99	11.63
Czechoslovakia	0.30	3.90	7.84	—	—	—
Denmark	0.58	8.38	6.33	0.37	3.63	3.91
East Europe, n.e.s.	0.42	3.57	3.98	—	—	—
France	2.46	22.20	29.72	1.69	8.32	11.33
West Germany	13.66	103.39	120.71	7.72	46.75	31.64
Italy	6.30	33.79	48.39	0.89	6.02	7.22
Netherlands	7.23	52.88	64.39	2.40	16.14	14.54
Norway	0.24	3.96	10.82	0.62	6.46	6.37
Sweden	0.74	14.58	21.53	1.32	13.07	7.58
Switzerland	10.63	102.29	143.78	0.30	3.13	2.36
U.S.S.R.	—	0.10	—	—	—	—
Europe, n.e.s.	0.50	6.05	10.19	0.62	4.03	2.10
Africa						
Belgian Congo	—	0.07	0.29	0.54	5.63	10.95
Egypt	—	0.03	10.51	0.07	0.16	0.20
French Equatorial & West Africa	—	0.01	—	3.81	27.11	27.55
French North Africa	—	0.01	0.01	0.35	1.29	2.10
Madagascar	—	0.31	0.06	0.27	2.80	4.27
Africa, n.e.s.	0.20	0.90	0.77	1.99	16.36	22.94
America						
Argentina	0.03	1.04	3.91	0.09	1.17	0.32
Brazil	3.06	7.51	17.49	0.05	0.64	0.78
Central America, n.e.s.	—	—	0.19	2.45	19.48	22.47
Cuba	0.01	4.33	0.10	0.27	3.08	3.83
Haiti	—	—	—	0.19	1.52	0.80
Mexico	—	0.09	—	0.21	1.61	2.03
South America, n.e.s.	0.02	0.78	1.35	0.91	6.98	8.24
U.S.A.	30.68	339.29	423.54	26.27	230.88	137.17
Venezuela	—	—	0.02	1.47	11.35	9.16

Country	September 1958	Jan./Sept. 1958	Jan./Sept. 1957	September 1958	Jan./Sept. 1958	Jan./Sept. 1957
	IMPORTS			EXPORTS		
	HK\$ MILLION			HK\$ MILLION		
Oceania						
United States Oceania	0.14	0.22	0.09	2.52	22.13	22.95
Oceania, n.e.s.	0.01	0.27	0.39	1.23	8.62	9.68
Postal Packages	1.19	14.91	—	1.02	9.52	—
Total Merchandise	376.16	3,307.87	3,902.60	249.38	2,135.11	2,265.55
Total Gold and Specie	11.32	202.08	303.69	17.69	204.43	304.87
Grand Total	387.48	3,509.95	4,206.30	267.07	2,339.54	2,570.42

IMPORTS AND EXPORTS (BY COMMODITIES)

Commodity	September 1958	Jan./Sept. 1958	Jan./Sept. 1957	September 1958	Jan./Sept. 1958	Jan./Sept. 1957
	IMPORTS			EXPORTS		
	HK\$ MILLION			HK\$ MILLION		
Live animals	22.01	169.34	125.96	0.18	1.34	0.71
Meat and meat preparations	3.40	34.46	49.93	0.34	4.51	6.54
Dairy products	8.68	80.16	79.01	0.94	13.95	10.65
Fish and fish preparations	8.71	79.07	65.98	2.95	30.03	22.82
Cereals	19.74	231.29	234.71	3.09	36.49	31.15
Fruits and vegetables	21.28	167.76	171.38	8.83	86.02	91.48
Sugar and sugar preparations	6.96	58.76	77.05	3.82	33.44	45.22
Coffee, tea, cocoa and spices	4.07	35.89	42.87	2.96	16.14	21.98
Feeding stuffs for animals	0.49	4.43	6.95	0.27	1.95	1.74
Miscellaneous food preparations	2.88	25.75	28.27	2.30	20.78	23.38
Beverages	2.12	20.66	24.73	0.65	6.35	8.45
Tobacco and tobacco manufactures	4.42	54.85	53.45	1.41	10.10	7.30
Hides, skins and fur skins, undressed	0.35	4.74	11.26	0.21	4.29	8.69
Oil seeds and oil nuts	3.06	20.96	25.88	1.19	6.78	14.57
Crude rubber, including synthetic	1.85	13.81	13.66	0.04	1.55	1.72
Wood, lumber and cork	4.81	46.66	57.39	1.13	8.72	7.62
Pulp and waste paper	0.17	1.36	2.91	0.80	0.78	2.02
Textile fibres and waste	16.70	175.91	251.69	1.27	18.80	63.24
Crude fertilizers and crude minerals	0.84	7.27	7.73	0.62	3.83	3.29
Ores and metal scrap	0.47	6.05	58.56	2.24	27.92	85.99
Animal and vegetable crude materials	13.47	107.35	143.00	11.78	84.15	89.47
Mineral fuels, lubricants and related materials ..	17.14	149.76	162.53	0.88	3.65	4.39
Animal and vegetable oils (not essential oils), fats, greases and derivatives	4.55	41.54	60.98	2.01	16.30	30.41
Chemical elements and compounds	7.36	38.22	40.88	1.28	13.26	15.04
Mineral tar and crude chemicals	0.05	0.56	0.32	—	0.02	0.15
Dyeing, tanning and colouring materials	4.50	39.09	37.66	3.45	36.91	34.34
Medicinal and pharmaceutical products	11.61	76.13	58.35	12.86	66.60	56.28
Perfume materials and cleansing preparations ..	3.54	30.58	33.70	1.43	13.14	18.26
Fertilizers, manufactured	0.59	11.73	7.07	0.10	12.84	7.50
Explosives and miscellaneous chemical products ..	7.12	63.08	62.37	5.63	25.59	16.24
Leather, leather manufactures and dressed furs ..	1.77	16.28	19.27	0.22	1.98	1.38
Rubber manufactures	1.03	10.10	10.48	0.46	4.18	3.55
Wood and cork manufactures (excluding furniture)	1.08	11.52	9.22	0.60	3.89	3.57
Paper, paperboard and manufactures thereof ...	7.62	78.59	102.28	2.39	27.59	39.26
Textile yarn, fabrics and made-up articles	64.77	525.96	671.93	55.82	490.07	541.34
Non-metallic mineral manufactures	6.49	69.51	72.35	2.79	26.74	31.74
Silver, platinum, gems and jewellery	6.68	72.02	71.49	4.71	26.37	21.73
Base metals	21.21	144.08	289.06	8.33	51.49	93.35
Manufactures of metals	4.19	46.90	52.61	10.71	91.34	90.45
Machinery other than electric	11.23	122.17	124.32	4.24	24.37	24.35
Electric machinery, apparatus and appliances ...	9.56	75.26	73.67	4.38	32.95	26.60
Transport equipment	5.12	61.85	86.68	1.53	28.78	28.50
Prefabricated buildings; plumbing, heating and lighting fittings	1.18	8.74	10.17	4.55	38.84	52.27
Furniture and fixtures	0.47	4.25	3.60	2.68	26.26	27.32
Travel goods	0.21	1.97	2.18	1.25	11.99	12.59
Clothing	6.80	42.32	42.02	41.20	379.56	322.47
Footwear	0.96	8.06	7.09	7.64	74.43	52.61
Scientific instruments; photographic & optical goods; watches and clocks	13.41	121.81	177.06	3.83	30.22	28.08
Miscellaneous manufactures	8.19	73.74	80.42	16.97	147.50	133.22
Postal packages, not classified according to kind	1.19	14.91	—	1.02	9.52	—
Live animals, not for food	0.04	0.60	0.46	0.10	0.77	0.54
Gold and specie	11.32	202.08	303.69	17.69	204.43	304.87
Grand Total	387.48	3,509.95	4,206.30	267.07	2,339.54	2,507.42

Hongkong

Notes and Reports

Hongkong vs. Lancashire

A mutually satisfactory voluntary agreement on a comprehensive basis between Hongkong cotton goods manufacturers and Lancashire mill owners has not yet been reached. Hongkong has already presented a firm offer to the British Cotton Board and it is up to Lancashire now to accept or to reject it. The "mystery figure" has not yet been disclosed. It is believed, however, that Hongkong has suggested a 150-million-yard quota to include made-up goods rising to 200 million yards in three years or increasing by 5 per cent every year. Reports from the United Kingdom indicate that Lancashire manufacturers consider the quota offered by Hongkong too high. They also want to include cotton yarn in the quota agreement.

Commenting on the Cotton Board Conference in Harrogate, Hongkong's South China Morning Post last week said: "Deep feelings of irritation and frustration have, for the most part, dominated the Cotton Board's conference at Harrogate, the impression created being that the British textile industry finds itself so overwhelmed by its own problems that it cannot begin to make an objective analysis or appreciation of the potentially dangerous effects which any sort of voluntary export restrictions can have on a colony such as Hongkong. It is to the credit of Lord Rochdale and Sir Cuthbert Clegg that they have endeavoured to give proper perspective to the controversial issue; and the Prime Minister, dealing with the wider moral, economic and political implications of government-enforced quotas, made out an incontrovertible case against the employment of any such methods. From Mr. Ernest Thornton, a Labour M.P., came also a sympathetic appraisal of Hongkong's increasing difficulties in maintaining even a foothold in its natural South-east Asia markets in consequence of China's tremendous output of textiles and her price cutting campaign. Hongkong is appreciative of the fact that those speakers dealt with stern realities, but whether they have succeeded in persuading the majority of the conference delegates into accepting them has yet to be manifested."

"The Colony warmly applauds Mr. Macmillan's contribution to the debate, particularly his acknowledgement that any British Government, whatever its political complexion, is entrusted with a special responsibility towards a territory such as Hongkong. It is vitally important that it should be thoroughly understood in Britain that we are governed by consent, and that much of that consent is invested in Her Majesty's Government. It is our right, therefore, that we obtain from the Imperial Government protection of our interests; that this protection be not bargained away to satisfy political expediences; and that no unilateral legislative action be contemplated, let alone effected, at our expense. On these points Mr. Macmillan was reassuring and he re-inspires the Colony's confidence that the present Government will not commit itself to any act calculated to prejudice our economy or stimulate unfortunate political complications. We would be fully entitled to a similar undertaking from any other sort of British Government."

"It is necessary to understand that the Harrogate conference is not empowered to reach any decision on the Hongkong offer of voluntary restrictions on the exports to Britain of textile cloths; nevertheless the executive committee of the Cotton Board must, to a great extent, be influenced by the majority views expressed by the Lancashire textile industrialists. Lord Rochdale himself has broadly hinted that ready acceptance of the Hongkong proposals is unlikely, and that he believes further bargaining is possible. But he surely cannot view any such possibility with genuine optimism. Our local textile interests are convinced they have put forward proposals that represent the maximum concession which can be made without involving the industry in drastic dislocation. Furthermore the agreement is proffered independent of any arrangement which the Cotton Board might reach with India and Pakistan, thus leaving Lan-

cashire with hands free to deal with those two countries. The Colony has expressed its willingness to freeze its textile production so far as greys and finished cloths are concerned, and we cannot be expected to do more than that. For Lancashire now to insist on severer restrictions would almost certainly set at naught the long negotiations recently held here in so much good faith between Lord Rochdale's mission and the Colony's representatives. That would be deplorable from every point of view."

The Hongkong Standard opined: "There have been indications from both Manchester and Harrogate that the British textile manufacturers are not too happy over the extremely advantageous draft agreement which Lord Rochdale's mission reached tentatively with Hongkong, and that they have been thinking of squeezing additional concessions from this Colony. We feel that it is time to make clear to Lancashire that the ceiling arrangements proposed by the Hongkong Negotiating Committee to the Cotton Board delegation already represented the maximum sacrifice which this Colony is capable of shouldering. It is impossible for the textile industry here to make further concessions without seriously dislocating both the industry itself and the overall structure of our economy."

"The textile industry of Hongkong has always believed that a voluntary export ceiling is a noxious device which will not only play havoc with the natural expansion of our economy but will also establish precedents that would restrict the growth of all our industries. Our Negotiating Committee reached an agreement in principle with the Cotton Board delegation with great reluctance and only because overwhelming political pressure was exerted on both our textile industry and our negotiating group. Out of the bad bargain Hongkong only received this consolation: that through sacrifices made by the textile industry, Hongkong was playing its part as a member of the Commonwealth and that the Colony, by agreeing to a ceiling, would be relieved of its role as a whipping boy in domestic UK politics. It would be a grievous mistake if Lancashire's textile manufacturers allowed themselves to believe that additional threats and pressure would bring them further concessions from Hongkong."

"There are many people here who believe that in the textile negotiations we have been made victims of a political squeeze play and that we have been on the receiving end of the worst type of colonialism. This assessment may not be completely fair but it does give an indication of the political aspects of the problem which Prime Minister Macmillan brought out during his speech to the British textile industrialists at their Harrogate meeting."

"It is our belief that further threats against Hongkong would get Lancashire nowhere. Hongkong, as Lord Rochdale is ready to testify, has not only reached the limit of its endurance but it has also given to the Cotton Board mission the maximum concession. Beyond this limit Hongkong will not go. If Lancashire is not satisfied, the only recourse now open is for the Cotton Board to get the British government to impose unilateral and mandatory ceilings against our textile exports to the United Kingdom. If the British government were forced to take such a step it would in effect demolish the Commonwealth preference system. And the breakdown of Commonwealth economic cooperation would have a far more disastrous effect on Britain itself than on Hongkong. For these reasons, it is strongly to be hoped that good sense, rather than a wild-eyed determination to squeeze new concessions out of Hongkong, will keynote the Lancashire attitude towards the draft textile ceiling accord with this Colony."

Unheeded Prophecy

In the light of the current Hongkong/United Kingdom cotton deliberations, and the continuous blaze of unsought publicity with which the Hongkong spinning industry is surrounded, the following prediction, made ten years ago in this Review (Vol. V, Issue No. 20 of 17th November, 1948) is of particular interest:—

"The local cotton spinning industry is expanding at surprising speed: every month one or more promoters appear and some of their plans are regularly realised. It is a conservative estimate to put the number of cotton spinning mills which will be in operation here before the end of 1949 at 9 or 10. Within a few more years the Colony

will be one of the principal textile industry centres in the Far East. Almost all cotton mills are housed, or have been planned to be, in modern structures embodying latest designs. The same holds good for workers' dormitories, business and management premises."

That this prophecy has been amply fulfilled is evident from the fact that the Colony's principal mills today number 19 with a total spindlage of 338,750. All are housed in "modern structures" while staff welfare facilities include free medical treatment and subsidized meals.

Hongkong Tourist Association

The Hongkong Tourist Association will begin to accept applications for membership as from November 1st. There are two types of membership—ordinary and associate. Ordinary membership includes international transportation companies, travel agents, hotels, tour agents and trade associations. Associate membership may be applied for by any other person or firm who is interested in tourist development. Retail merchants, restaurants and other related businesses will be included in the associate membership group. Both ordinary and associate members will be entitled to display the emblem of the Hongkong Tourist Association.

The work of the Tourist Association is divided into two general categories—local and international. The international department is primarily concerned with promotion and publicity designed to attract tourists to Hongkong from all countries. The local section is concerned with serving these visitors once they are in Hongkong. One important aspect of the local work is to provide the travelling public with accurate information and helpful assistance. To perform this service the Association has opened two Information Centres and has staffed them with trained personnel to answer the tourists' questions and provide them with pamphlets and brochures about Hongkong. A third Information Centre will be opened in the new Kai Tak terminal building in April.

On the international level, the Hongkong Tourist Association is enjoying active working relationships with major travel associations, tourist bureaus, transportation companies and travel agents in the United States, Canada, Australia, New Zealand as well as many other countries. An extensive promotion and publicity campaign now being prepared by the international section will carry the story of Hongkong to all the overseas countries from which Hongkong draws the majority of its visitors. Full-scale advertising proposals are under consideration, and negotiations have been opened with several leading film companies to produce a colour motion picture showing the many scenic attractions of Hongkong.

In the field of travel agent promotion the Association has created and produced numerous information folders, descriptive brochures and display posters, and has already sent more than 100,000 of them to travel centres and individuals in many lands. Still another phase of the Association's programme is a statistical survey. Pertinent tourist information is being gathered from every available source. Properly evaluated, these statistics can indicate the Colony's weak points in tourist appeal and, at the same time, point the way for the future expansion and development of the Colony's tourist attractions. This survey is being conducted on both local and international levels.

In order to protect Hongkong's tourist-guests, the Association has resolved that the reputation of its associate members must be above reproach. The Tourist Association emblem will be displayed only by those offices, stores and firms that are entirely reliable and reputable.

Development Loan Fund

The Legislative Council last week approved a resolution calling for the establishment of a fund called the Development Loan Fund with effect from November 1st. The Fund is in fact the amalgamation of the Local Loans Fund, which finances the building of private schools, and the Development Fund, which finances all sorts of other activities such as housing. Moving the resolution, the Financial Secretary, Mr. A. G. Clarke said inter alia: The Development Fund in its present form was established in 1951 by resolution of this Council. At that time we had sorted out the somewhat involved financial position resulting from our venture into trading and financing which was forced upon us by the war. The operations of the Development

of Supplies, Trade and Industry, which subsequently became the Department of Supplies and Distribution, had resulted in a substantial profit, and it was felt that this money, rather than being credited to general revenue, might be specifically earmarked for development.

The resolution passed by this Council accordingly provided that the accumulated profits should go into a new Fund and that all future profits should also go to that Fund. It also laid down that appropriations from this Fund should be devoted to schemes of development approved by the Secretary of State. Since that time there have been some changes. Government has withdrawn from trading and from the financing of trade; and, at the commencement of this financial year, the Secretary of State relaxed his control over our finances. It was felt therefore that the time had come to bring up to date the terms of the resolution.

At the same time attention was directed to the Local Loans Fund, which was set up in 1956. This Fund was established to overcome the somewhat awkward accounting position resulting from a large increase in the volume of interest-free loans to private bodies who wished to build schools. Under ordinary Government accounting rules such loans had to be charged off as expenditure, and repayments had to be credited to revenue, with the result that revenue and expenditure figures were being unnecessarily inflated. By resolution of this Council on June 20th 1956, the Local Loans Fund was established to take care of the accounting for these interest-free loans for building of schools.

At present the Local Loans Fund finances the building of private schools, and the Development Fund finances all sorts of other activities such as housing and part of the Kwun Tong reclamation. It is now proposed to simplify our accounting by amalgamating these two funds into a combined fund, which will take care of all these loans, and which it is proposed to call the Development Loan Fund. As heretofore any loan or advance will be subject to the prior approval of the Finance Committee of this Council; and, although the formal approval of the Secretary of State is not required, he will in fact be consulted on all proposals of any importance.

Building Development

Government Buildings—Ten new building projects or alterations were completed by the Architectural Office of the Public Works Department in the three months ended September 30th. In addition, 31 projects were under construction, of which nine were being carried out by private architects. The most important of these were the West Wing of the Central Government Offices, the new Government Stores at North Point, the Tsuen Wan Divisional Police Station and five new primary schools. Three resettlement blocks were completed on various estates during the quarter. Construction work began on resettlement blocks at Chai Wan, the Sai Ying Pun Clinic and the Canton Road Primary School. Sketch plans were in hand for 13 major projects while sketch plans for nine projects had been submitted for approval and authority to proceed with working drawings. In addition, working drawings and contract documents were being prepared for 27 projects.

Private Buildings—Nathan Road, the main thoroughfare in Kowloon, continues to change in character with the replacement of four-storey buildings by multi-storey blocks. In the quarter ended September 30th Government approved plans for the erection of a number of 15 to 19-storey buildings in Nathan Road. Permission for the construction of a considerable number of multi-storey buildings on Hongkong Island was also granted. These building projects are for composite use. They range from eight to 20 storeys and provide mainly domestic accommodation but also include shops and offices. Plans have been approved for the construction of an antibiotics factory at Aberdeen and for the erection of three-multi-storey schools. Two of these schools will have 16 classrooms each while the third will have 22 classrooms.

New Hospital—Work is in progress on the first two stages of the new Kwong Wah Hospital in Kowloon. The first stage comprises the Central Block of 16 storeys while the second stage will be the 12-storey East Wing, containing the outpatients department, the wards and the dentistry section.

Low-Cost Flats—The Buildings Ordinance Office has also approved plans for eight blocks of the Housing Authority's

building project at So Uk, in Kowloon. These range from 12 floors to 17 storeys.

Total Number of Projects—Altogether, 658 plans covering 1,000 buildings designed for domestic and non-domestic purposes were submitted for approval and 207 occupation permits were issued during the period.

Resettlement Operations

Squatter Clearances—A temporary lull in July in the rate at which accommodation in Wong Tai Sin Resettlement Estate became available was responsible for the total number of persons resettled during the third quarter falling below the figure set in the previous quarter. Altogether a total of 7,271 persons (1,381 families) were cleared by the Mobile Resettlement Unit and offered resettlement. 33.48 acres of land were freed for development in the way of new housing, schools, and road and drainage schemes, for five further blocks of the Wong Tai Sin Resettlement Estate, and for the first blocks of a new resettlement estate at Kun Tong. Sixteen operations took place in Kowloon, one in Tsuen Wan, and three in Hongkong. Ten of these involved the clearance of cultivation, and a total of \$443,389.34 was paid as ex-gratia compensation for the 14.18 acres of cultivation cleared.

Multi-Storey Building Programme—(1) Hung Hom Estate (4 blocks, 1,848 rooms): Construction work on the fourth and last block continued throughout the quarter. It is hoped that it will be completed during October, 1958. (2) Wong Tai Sin Estate (25 blocks, 12,664 rooms and 103 self-contained flats): 3 blocks were completed and handed over during the quarter, bringing up to 12 the total of blocks completed and occupied. Construction work is proceeding on 5 blocks, and site formation work on a further 5 blocks is in progress. (3) Lo Fu Ngam Estate (8 single-wing blocks, 1,377 rooms and 20 self-contained flats): Construction work on the last two blocks commenced in September. (4) Jordan Valley Estate (5 'H' blocks, 4 single-wing blocks, 2,807 rooms and 98 self-contained flats; 1 factory block containing 285 working units): Site formation work for the estate continued throughout the quarter. (5) Chai Wan Estate, Stage 1 (3 blocks, 1,764 rooms, 1 factory block containing 330 working units): Piling for the factory block and one domestic block commenced in August. Site formation for the other two domestic blocks continued throughout the quarter. (6) Kun Tong Estate, Stage 1 (4 blocks, 2,348 rooms): Site formation for the estate began in September.

Administration of Multi-Storey Estates—At the end of the quarter the total population of the multi-storey estates was 181,381 of whom 8,561 were living in the emergency two and three storey buildings in Shek Kip Mei. There were 970 shops and 322 workshops in the estates; 701 shops and 222 workshops occupied complete bays of 240 sq. ft. and the remaining 269 shops and 100 workshops occupied half bays of 120 sq. ft. In addition to the 1,292 shops and workshops for which no licence was required, there were 119 restaurants, 22 cafes, 65 food shops (meat and fish), 16 roast meat shops, and 15 fruit and vegetable shops for which the necessary Urban Council Licences were granted. 115 factories and workshops of various kinds had been resettled by the end of the quarter in this building. They occupied a total of 435 units of space of 198 sq. ft. each. \$1,666,470.00 was collected in rents in the estates and \$529.00 had to be written off as irrecoverable arrears. The corresponding figures for the previous quarter were \$1,509,086.00 and \$147.00.

Cottage Resettlement Areas—(1) Ngau Tau Kok: 96 new cottages were built by the National Catholic Welfare Conference. 67 more were under construction. Eleven of the new cottages were used to rehouse families from old wooden huts on sites which will be prepared for more cottages. (2) Chuk Yuen: The Church World Service completed a further 16 stone cottages and these were occupied by settlers from old wooden huts. 62 cottages built by the same agency are almost complete. The National Catholic Welfare Conference has started work on 73 stone cottages. (3) Chai Wan: Seventeen cottages built by the Star of the Sea Chapel were completed and allocated to settlers from nearby clearances. The National Catholic Welfare Conference has started work on 46 out of a proposed 100 new stone cottages. The first stage of the street lighting for this area was completed and put into operation. (4) Tai Wo Ping: The new area office and store were completed and occupied. 110

new stone cottages to be built by the National Catholic Welfare Conference are under construction. (5) Tai Wo Hau: The new area office and store were completed and occupied. 88 sites were completed for cottages to be built by the United Methodist Churches.

The registered population at the end of the quarter was 79,942, an increase of 1,011 over the previous quarter, of whom 693 were persons newly resettled. There are now 14,980 premises in Cottage Resettlement Areas, including 74 factories and workshops, 434 shops and 1,771 Government-owned cottages.

Rooftop Squatter Prevention—There has been a slight increase in squatter activity on rooftops. During the quarter the officers of the Rooftop Squatter Prevention Section discovered a total of 492 new structures or new extensions to older structures. Of these, 296 were removed voluntarily while 196 were demolished by patrols. A total of 79 squatter huts occupied by 78 families totalling 401 persons were removed from rooftops because of the demolition of the premises on which they were situated. Sites on the Cheung Sha Wan reclamation have been offered to these squatters and to date 75 families had accepted the offer and constructed huts.

Total Population—The total population of all the resettlement areas and estates on September 30th 1958 was 261,323, of whom 91,689 were children under the age of ten. This shows an increase of 9,156 over the figure for the end of the previous quarter. Details of these figures are as follows:

Cottage Resettlement Areas		Increase/Decrease
Hongkong	19,630	+ 248
Kowloon	56,662	+ 771
Tai Wo Hau (Tsuen Wan)	3,650	— 8
Total:	79,942	+ 1,011

Multi-Storey Resettlement Estates

Shek Kip Mei		
(2- and 3-storey building)	8,561	— 410
(6- and 7-storey buildings)	56,576	+ 779
Li Cheng Uk	42,031	+ 94
Tai Hang Tung	38,489	+ 285
Hun Hom	6,984	+ 82
Lo Fu Ngam	4,532	+ 14
Wong Tai Sin	24,208	+ 7,301
Total:	181,391	+ 8,145
Grand Total:	261,323	+ 9,156

Maiden Voyage

The Beira—The latest of a new series of cargo liners of the East Asiatic Co. Ltd., the Beira, of 10,580 tons, arrived from Europe on her maiden voyage on October 21st. The Beira, which was delivered to her owners in August by the shipbuilders in Copenhagen, Burmeister and Wain, is powered by the B & W diesel engine, and has a service speed of 18 knots. She has 24 derricks, including one for 20-ton lifts and one for 60 tons, serving the five cargo holds in which special compartments have been built for the carriage of dangerous and refrigerated cargo. She also has a total capacity of about 1,500 tons in six deep tanks for the carriage of liquid cargoes. Fully air-conditioned, the Beira has a first class accommodation for four passengers.

The Fernstate—The m.s. Fernstate, latest addition to the fleet of Fearnley and Eger Oslo arrived here on October 24th on her maiden voyage in the Fern-Ville Far East Lines. Built in Glasgow, the ship is of 11,600 tons and has a service speed of 17½ knots. Total bale capacity is 589,440 cubic feet; there is also refrigerated space of 25,000 cubic feet.

The Shinsho Maru—The 5,585-ton Shinsho Maru, a cargo boat of the Kawasaki Kisen Kaisha, arrived here on October 25th on her maiden trip from Moji. The vessel has an overall length of 356 feet and a speed of 15.44 knots. She has three hatches and a total bale capacity of 240,660 cubic feet.

FINANCE & COMMERCE

HONGKONG EXCHANGE MARKETS

U. S. \$				
Oct.	T.T. High	T.T. Low	Notes High	Notes Low
20	H o l i d a y			
21	\$581 $\frac{3}{4}$	581 $\frac{1}{2}$	580 $\frac{3}{4}$	580 $\frac{1}{4}$
22	581 $\frac{1}{4}$	580 $\frac{1}{2}$	580 $\frac{1}{8}$	579 $\frac{3}{8}$
23	580 $\frac{3}{4}$	580 $\frac{1}{2}$	579 $\frac{7}{8}$	579 $\frac{1}{4}$
24	580 $\frac{1}{2}$	580 $\frac{1}{4}$	579 $\frac{5}{8}$	579 $\frac{3}{8}$
25	580 $\frac{3}{8}$	580 $\frac{3}{8}$	579 $\frac{3}{8}$	579 $\frac{1}{4}$

D.D. rates: High 580 $\frac{1}{2}$ Low 579 $\frac{1}{4}$.

Trading totals: T.T. US\$2,980,000; Notes cash US\$425,000, forward US\$1,390,000; D.D. US\$280,000. In the T.T. sector, gold importers were good buyers. In the Notes market, Peking agents continued to acquire cash notes from speculators who began to unload their holdings. Interest favoured buyers and aggregated HK\$1.35 per US\$1,000. Speculative positions taken averaged US\$1 $\frac{1}{4}$ million per day. In the D.D. sector, the market was quiet.

Far Eastern Exchange: Highest and lowest rates per foreign currency unit in HK\$: Philippines 1.7175—1.66, Japan 0.0146—0.014525, Malaya 1.862, South Vietnam 0.0709, Laos 0.0699, Cambodia 0.076—0.074, Thailand 0.279—0.274, Indonesia 0.054. Sales: Pesos 280,000, Yen 69 million, Malayan \$270,000, Piastre 7 million, Kip 5 million, Rial 5 million, Baht 3 million, Rupiah 250,000. Peso dropped heavily under selling pressure.

Chinese Exchange: People's Yuan notes quoted \$0.64—0.61 per Yuan. Taiwan Dollar notes quoted \$0.13 per Dollar, and remittances, 0.1265—0.126.

Bank Notes: Highest and lowest rates per foreign currency unit in HK\$: England 16.08, Scotland 14.80, Ireland 13.50, Australia 12.55, New Zealand 13.90—13.88, Egypt 10.05, East Africa 15.15, South Africa 15.75, West Africa 13.00, Jamaica 13.50, Gibraltar 13.50, Malta 12.50, Cyprus 12.50, Fiji 10.00, India 1.1775—1.1774, Pakistan 0.785, Ceylon 0.895, Burma 0.52, Malaya 1.848—1.838, Canada 5.945—5.92, Cuba 5.00, Argentina 0.12, Brazil 0.035, Peru 0.24, Mexico 0.40, Philippines 1.725—1.72, Switzerland 1.345, West Germany 1.365, Italy 0.00905, Belgium 0.107, Sweden 1.02, Norway 0.72, Denmark 0.77, Netherlands 1.45, France 0.01265—0.0126, South Vietnam 0.0735—0.072, Laos 0.067—0.064, Cambodia 0.076—0.073, New Guinea 1.00, Indonesia 0.06—0.056, Thailand 0.27—0.2685, Macao 0.998, Japan 0.01495—0.0148.

LAST WEEK'S SELLING RATES OF LOCAL EXCHANGE DEALERS

Country	Currency	Denomination	In HK\$	In US\$
U.S.A.	Dollar	5-100	5.80	—
Australia	Pound	5 and 10	12.65	2.183
Britain	Pound	1 and 5	16.15	2.787
Burma	Kyat	10-100	0.54	0.093
Cambodia	Rial	all	0.076	0.01311
Canada	Dollar	5-100	5.95	1.027
Ceylon	Rupce	5-100	0.95	0.164
France	Franc	all	0.01275	0.0022
Hongkong	Dollar	all	—	0.17271
India	Rupce	all	1.185	0.204
Indonesia	Rupiah	all	0.063	0.01087
Japan	Yen	100-5000	0.015	0.002588
Macao	Pataca	all	1.01	0.174
New Zealand	Pound	1-10	13.95	2.407
Pakistan	Rupce	100	0.80	0.138
Philippines	Peso	5-100	1.715	0.296
Singapore	Dollar	5-100	1.85	0.319
South Africa	Pound	all	15.80	2.726
Switzerland	Franc	all	1.37	0.236
Taiwan	Dollar	5 and 10	0.134	0.02312
Thailand	Baht	10-100	0.275	0.04745
South Vietnam	Piastre	all	0.073	0.0126

Gold Market

Oct.	High .945	Low .945	Macao .99
20	H o l i d a y		
21	\$253 $\frac{3}{4}$	253 $\frac{1}{2}$	264 $\frac{1}{2}$ High
22	253 $\frac{1}{2}$	253 $\frac{1}{8}$	
23	253 $\frac{1}{8}$	252 $\frac{7}{8}$	
24	253	252 $\frac{3}{4}$	
25	252 $\frac{7}{8}$	252 $\frac{3}{8}$	Low 264 $\frac{1}{8}$

Opening and closing prices were 253 $\frac{3}{8}$ and 252 $\frac{3}{4}$; highest and lowest, 253 $\frac{3}{4}$ and 252 $\frac{3}{8}$. The market was easy under

speculative selling. Interest for change over favoured sellers and aggregated 34 HK cents per 10 taels of .945 fine. Tradings averaged 4,600 taels per day

and amounted to 23,000 taels for the week, in which 9,380 taels were transacted in cash (2,430 taels listed and 6,950 taels arranged). Imports from Macao totalled 9,000 taels. A shipment of 32,000 fine ounces reached Macao in the week. Exports amounted to 7,000 taels (5,000 taels to Singapore, 1,000 taels to India, and 1,000 taels to Burma). Differences paid for local and Macao .99 fine were HK\$12.30 and 11.30—11.20 respectively per tael of .945 fine. Cross rates were US\$38.05—38.04 per fine ounce; 16,000 fine ounces were contracted at 38.04 cif Macao. U.S. double eagle old and new coins quoted \$265 and 239 respectively per coin, English Sovereign \$59 per coin, and Mexican gold coins \$271 per coin.

Silver Market: 500 taels of bar silver traded at \$6.00—5.95 per tael, and 500 dollar coins at \$3.77—3.75 per coin. Twenty-cent silver coins quoted \$2.90—2.87 per five coins.

HONGKONG SHARE MARKET

Buyers again assumed a wait-and-see attitude after Chinese Communist batteries had resumed the shelling of Quemoy last week. Consequently, the volume of business was very small. Turnover was particularly low on Tuesday because the market opened only in the morning on account of the Chung Yeung Festival: Monday, public holiday; Tuesday, \$89,000; Wednesday, \$212,000; Thursday, \$311,000; Friday, \$436,000.

Prices fluctuated within a very narrow limit. Drops were fractional because there was no selling pressure. Trams and Lights were firmer towards the end of the week but gains were small because buying counteroffers were kept very low. Selling quotations for International Investments, Allied Investments, Watsons and Amalgamated Rubbers were firmer but no transactions were concluded during the week. The market, however, closed steady.

HONGKONG TRADE REPORTS

IMPORTS & EXPORTS

Imports of foodstuffs from China and of consumer goods from the United Kingdom, the United States and Japan were maintained at a high level last week. Exports of Hongkong manufactures to UK, US and Malaya continued heavy but reexports of British, American and Japanese products to SE Asia, Korea and Taiwan were very quiet. Trading in local commodity markets was very quiet. Commodity prices, however, were steady in general because stocks of most popular items were very low.

HK/China—Peking claimed that about £10 million worth of business was transacted at the Canton Trade Fair last week. Peking reports also claimed that merchants from 25 countries were interested in various machinery and motor cars made in China.

Hongkong businessmen, according to Canton reports, bought some vegetable oils, cotton piecegoods, drawn lace work, preserved and canned food, sundry provisions and a great variety of other consumer goods; quantities were not disclosed.

HK/Thailand—Exports to Thailand were active in spite of the coup d'état in Bangkok but only a few new orders reached here during the week covering insignificant quantities of structural steels, chemicals and cotton yarn. Reports from Bangkok revealed that authorities there might restrict imports of Chinese and Hongkong products to protect domestic industries in Thailand.

HK/Malaya—Demand from Singapore and Malaya for Hongkong manufactures and Chinese goods last week was not as strong as during the preceding week. Local dealers, however, believed that importers in Singapore and Malaya would continue to procure large quantities of consumer goods from here because re-exports from there to Indonesia and other ports in SE Asia continued steady.

HK/Taiwan—Exports to Taiwan remained quiet but there were more enquiries from Taipei for a number of essential goods including paper and chemicals after authorities there had allocated more foreign exchange for industrial supplies. Low buying offers, however, restricted the volume of these purchases.

HK/Laos—According to a Chinese merchant from Vientiane, importers there are interested in procuring paints, sugar, wheat flour, cotton yarn and piecegoods from Hongkong. Orders reached here from Laos last week, however, covered only some cotton yarn and paints.

HK/Vietnam—Haiphong was planning to send here a trade mission to promote trade with Hongkong. North Vietnam is interested in selling more rice, cement, medicinal herbs, taro chips and other produce to Hongkong and in return may buy cotton textiles, sundry provisions, coconut oil, patent medicines, paper, chemicals and metals from the local market. At present, there are about a dozen firms in Hongkong trading with North Vietnam.

HK/Burma—Rangoon importers were again interested in absorbing peanut oil and wheat flour from Hongkong. Quantities involved, however, were not very impressive. Imports of beans and other staples from Burma slowed down because trading in the local market recently turned sluggish.

HK/Ceylon—There was some improvement in exports to Ceylon recently possibly because Colombo had started to use some of the newly obtained American Aid Funds for purchases of various essential items from here. Orders from Colombo covered mostly cotton goods, enamelware and other metalware, green peas, plastics and other Hongkong manufactured goods.

HK/Australia—Hongkong will participate in the forthcoming International Fair in Melbourne (February 1959) to promote sales of HK products in Australia. According to reports from Australia, about 500 exhibitors from at least 13, and possibly 17, countries will be represented. Products on show will worth millions of pounds. The fair is being organized by the Melbourne Chamber of Commerce. Other countries taking part in the Fair will include Britain, United States, New Zealand, Japan, West Germany, Sweden, Denmark, India, Pakistan, the Netherlands, Switzerland and Italy. Poland, Czechoslovakia, Malaya, Ceylon and Norway may also send exhibits to the Fair.

According to Mr. H. A. Angus, Director of Commerce and Industry, a document has been received from Canberra setting forth the Australian Government's revised policy on import licensing in respect of trade fairs. A preliminary examination suggests that it may obstruct negotiations which the Department of Commerce and Industry is attempting to conclude with a Sydney store for the display of Hongkong's exhibit there after the Melbourne International Trade Fair. Further enquiries are being made to find

Share	Oct. 17	Highest	Last Week's Rate	Lowest	Closing	Up & Down	Dividend	Estimated Yield (%)
HK Bank	750b	750	747.50	750	750	steady	\$45	6.00
Union Ins	71.50b	73s	71b	71.50	71.50	steady	\$3.40	4.76
Lombard	28a	28a	26	26	26	—\$2	\$2	7.69
Wheclock	5.85	5.90	5.80	5.80	5.80	—5c	75c	12.93
Int Inv	5b	5.20b	5b	5.05b	5.05b	+5c	65c	12.87
Allied Inv	4b	4.05b	4b	4.05b	4.05b	+5c	25c	6.17
HK & FE Inv ...	9.70b	9.50b	9.30	9.50b	9.50b	—20c	80c	8.42
HK Wharf	94	96b	94	96b	96b	steady	\$9	9.38
HK Dock	44.50	44.50	44	44.50b	44.50b	steady	\$2	4.49
Provident	11.30	11.30	11.20	11.30b	11.30b	steady	\$1	8.85
HK Land	30.50b	30.50	30	30.25	30.25	—25c	\$2.40	7.93
HK Realty	1.40b	1.375b	1.375b	1.375b	1.375b	quiet	15c	10.91
HK Hotel	21	21.30b	21	21b	21b	steady	\$1.50	7.14
Star Ferry	107	109b	106b	107	107	steady	\$9	8.41
Yau-mat	93	93.50b	93	93	93	steady	\$7.50	8.06
Trams	24.80	24.90	24.60	24.90	24.90	+10c	\$1.90	7.63
Light	17.20	17.30	17.10	17.30	17.30	+10c	\$1.30	7.51
Electric	24.90	24.70	24.50b	24.60	24.60	—30c	\$1.90	7.72
Telephone	23.90	23.80	23.40b	23.80	23.80	—10c	\$1.50	6.30
Cement	23	23	22.80	23	23	steady	\$3	13.04
Dairy Farm	15.70	15.70b	15.50	15.60	15.60	—10c	\$1.775	11.38
Watson	11.20	11.10b	11b	11.40b	11.40b	steady	\$1	8.77
Amal Rubber ...	1.60b	XD 1.55b	XD 1.525	XD 1.525	XD 1.525	steady	20c	13.11
Textile	4.10b	4.15b	4.10b	4.10b	4.10b	steady	60c	14.63
Nanyang	7.40b	7.40b	7.10b	7.15b	7.15b	steady	\$1.10	15.38

out the reactions of the Sydney store in the light of the Australian Government's new policy.

HK/Canada—Two Canadian bankers—Mr. Allen T. Lambert, vice-president and general manager of the Toronto-Dominion Bank and Mr. J. J. Denison, assistant general manager of the International Relations—came here last week to invite local businessmen to invest in Canada which "is completely free of exchange controls or restrictions." Mr. Lambert stated that foreign investments in Canada could always be kept confidential and no restriction would be imposed on anyone wishing to enter Canada for genuine business purposes. This invitation should be very attractive to local millionaires who do not know what to do with their money.

COMMODITY MARKETS

Produce—Trading in the local market was very quiet last week. There were only small orders from Australia for woodoil, rosin; from New Zealand for kapok, woodoil, camphor oil; from Japan for sesame; from Canada for woodoil; from Burma for groundnut oil; and from Ceylon for camphor products. Local dealers who went to Canton bought some citronella oil, turpentine, cotton seed oil, woodoil, camphor products, maize and essence at the exhibition there; quantities involved were not disclosed.

Metals—More supply arrived from Japan and Europe to relieve the stock shortage here. Imports of nails and wires from China, however, were curtailed. Exports were quiet with only orders from Thailand for structural steels and from Japan for scrap metals; quantities ordered were insignificant. Local demand for structural steels and base metals remained normal and kept prices firm.

Paper—Local demand, particularly from garment makers and enamelware

factories, for packing paper kept the market steady. Exports were very quiet; Taiwan enquired for art printing, manifold, glassine and cellophane but made no purchases during the week. There was neither any order nor enquiry from Korea. Demand from Thailand and Indonesia was not sustained.

Industrial Chemicals—Demand from Korea, Thailand and Taiwan was selective covering only sodium hydrosulphite, shellac, magnesium sulphide, gum copal and damar, and lead acetate. Most transactions fell through because buying offers were too low to interest local dealers. Local demand for factory items was weak.

Pharmaceuticals—The market was very quiet. Sulfonamides and saccharum lactose were favoured by local pharmaceutical manufacturers but the volume of business was insignificant. Korea bought some aspirin while Indonesia was interested in quinine powder but the business was too small to stimulate the market.

Cotton Yarn—Forward bookings of Hongkong yarn were made by Indonesia, Laos, Thailand and local mills. Prices firm although spot market was quiet. Imported brands were sluggish.

Cotton Piecegoods—HK gingham attracted more orders from the United States while grey cloth retained strong demand from the United Kingdom. The spot market, however, was very quiet. Chinese greys and Japanese greys were weak. Chinese brands were particularly sluggish because local dealers had booked more supplies from Canton during the week.

Rice—Prices for Thai, Chinese and other rice were weak because supply was heavy. Prices will remain low in the local market if large consignments continue to arrive from China and other sources. Indent quotations from Bangkok also marked down slightly.

Wheat Flour—Rangoon ordered some wheat flour from here last week but prices in the local market for both Hongkong and imported brands continued to ease because more supply arrived from Canada and other sources.

Sugar—Although imports from Taiwan and Canton slowed down recently, prices here continued weak because supply still far exceeded demand. Even orders from Laos did not stimulate the market.

Cement—Both Hongkong and imported brands remained steady in spite of heavy imports from Japan. The market here was very steady particularly after orders had arrived from South Vietnam, Malaya and North Borneo. Local consumption was also high.

HONGKONG PRODUCTS EXHIBITION

The Chinese Manufacturers' Association last week decided to set up a planning committee for the building of a permanent exhibition centre for local products. During the past 15 years, more than \$1 million were wasted every year on temporary structures and fixtures for the exhibition. The resolution to set up a permanent exhibition centre is therefore long overdue. The problem now is where should this exhibition centre be located.

NEW COMPANIES IN HONGKONG

Following new companies were incorporated during the month of August, 1958 (all capital is nominal and in Hongkong Dollars):—

Yet Sing Estate Co. Ltd.—Capital 350,000; 50 Russell Street, Hongkong; Subscribers: Lam Kam Wing, 50 Russell Street, Hongkong, merchant; Lam Kam Kwan, same address, merchant. St.

Hongkong's Principal Imports in 1957

PART VI

ITEM, UNIT & COUNTRY	QUANTITY	H.K.\$	ITEM, UNIT & COUNTRY	QUANTITY	H.K.\$
MEDICINAL AND PHARMACEUTICAL PRODUCTS, N.E.S. (OTHER THAN OF CHINESE MANUFACTURE)					
U.K.	—	11,096,554	Italy	5,161	49,312
S. Africa	—	41,320	Netherlands	366,586	485,080
Canada	—	34,360	Norway	31,536	52,428
West Indies, Br.	—	3,343	Sweden	8,598	15,229
India	—	400,946	Switzerland	22	213
Malaya	—	362,663	LEATHER (Cwt.)	59,339	21,396,819
Australia	—	596,072	U.K.	2,125	979,137
U.S.A.	—	7,764,465	S. Africa	539	119,354
Argentina	—	44,924	Canada	94	119,593
China	—	576,600	India	1,339	1,217,714
Japan	—	2,321,306	Malaya	43	219,598
Korea, S.	—	127,778	Australia	43,265	7,563,781
Macau	—	110,149	New Zealand	31	7,523
Philippines	—	3,802	U.S.A.	4,635	5,049,832
Thailand	—	27,266	Argentina	28	37,116
Austria	—	16,005	China	191	95,179
Belgium	—	365,630	Formosa	2	3,000
Denmark	—	329,116	Japan	512	384,652
France	—	903,002	Laos	1,618	161,135
Germany, W.	—	2,582,578	Macau	585	123,518
Italy	—	946,407	Thailand	4	560
Netherlands	—	715,029	Vietnam, S.	665	275,000
Norway	—	28,363	Austria	169	343,869
Sweden	—	86,284	Belgium	41	79,953
Switzerland	—	2,166,990	France	1,363	2,072,916
Europe, E., n.e.s.	—	23,405	Germany, W.	1,129	1,629,099
Europe, n.e.s.	—	7,877	Italy	256	8,700
MEDICINAL AND PHARMACEUTICAL PRODUCTS, N.E.S. (OF CHINESE MANUFACTURE)					
Malaya	—	232,391	Netherlands	612	346,239
China	—	3,443,236	Europe, E., n.e.s.	72	33,030
Formosa	—	76,035	RUBBER TYRES, MOTOR (No.)	36,171	5,135,078
Macau	—	3,462,436	U.K.	15,760	2,059,925
PEPPERMINT OIL (Cwt.)	684	1,046,443	Canada	300	120,000
U.K.	16	67,466	Malaya	214	20,816
Malaya	5	8,240	Australia	507	44,850
U.S.A.	1	2,562	U.S.A.	812	131,367
China	74	189,463	China	219	54,590
Formosa	504	616,250	Japan	14,700	2,260,791
Japan	69	113,418	Macau	91	10,605
Netherlands	15	49,024	Belgium	23	1,347
CITRONELLA OIL (Cwt.)	9,312	5,007,986	France	4	600
China	7,760	4,091,230	Germany, W.	1,746	135,309
Formosa	1,461	833,694	Italy	89	5,910
Japan	91	83,062	Netherlands	231	28,360
PERFUMERY (Oz.)	653,961	2,027,453	Sweden	30	630
U.K.	14,678	51,123	RUBBER TYRES, BICYCLE (No.)	287,246	1,491,302
Malaya	324	532	U.K.	38,173	253,978
U.S.A.	33,548	100,480	Malaya	13,620	98,788
Belgium	4,041	30,530	China	95,200	501,824
France	573,733	1,752,069	Japan	122,800	560,517
Netherlands	6,669	42,220	Macau	200	800
Switzerland	18,598	43,925	France	7	62
Europe n.e.s.	2,370	6,574	Germany, W.	8,546	40,333
POLYSTYRENE AND POLYDICHLOSTYRENE (D.I.S. TRENE, STYKOFLEX, STYRON, STYRAMIC HT) (Lb.)	13,341,167	23,323,665	Sweden	8,700	33,000
U.K.	2,770,470	4,770,690	U.K.	38,173	253,978
Canada	6,401,900	11,371,335	Malaya	13,620	98,788
Australia	184,563	179,535	China	95,200	501,824
U.S.A.	453,750	788,596	Japan	122,800	560,517
Belgium	10,085	16,942	Macau	200	800
France	339	550	France	7	62
Germany, W.	1,384,374	2,309,086	Germany, W.	8,546	40,333
Italy	2,134,498	3,884,537	Sweden	8,700	33,000
Netherlands	1,188	2,394	U.K.	38,173	253,978
SYNTHETIC PLASTIC MATERIALS, N.E.S. (Lb.)					
U.K.	3,298,551	7,455,977	Malaya	13,620	98,788
Canada	82,500	161,738	China	95,200	501,824
Australia	1,355	1,883	Japan	122,800	560,517
U.S.A.	1,780,323	4,282,951	Macau	200	800
Japan	160,432	1,122,035	France	7	62
Belgium	19,514	28,810	Germany, W.	8,546	40,333
Germany, W.	400,231	608,913	Sweden	8,700	33,000

Andrew Co. Ltd.—To conduct nursing & convalescent homes; Capital: 1,000,000; 127-133 Prince Edward Road, Kowloon; Subscribers: Peter Hin Tak Fok, N.K.I.L. No. 3755, Taipo Road, Kowloon, medical practitioner; Alison M. S. Bell, N.K.I.L. No. 3755, Taipo Road, Kowloon, medical practitioner; Li Man Kim, 1A Devon Road, Kowloon, medical practitioner; Li Wong Shek Wa, 1A Devon Road, Kowloon, married woman; Lim Chin Lang, 2 Observatory Crescent, Kowloon, medical practitioner; Lim Chan Siu Yuen, 2 Observatory Crescent, Kowloon, married woman. **Manning Works Ltd.**—Engineers & founders; Capital: 500,000 LZ3188 Ngau Tau Kok, Kowloon; Subscribers: Chiu Cho Kon, 6 Wistaria Road, Yau Yat Chuen, Kowloon, merchant; Sich Wai Nam, 18 Taipo Road, Kowloon, merchant; Mui Chor Chu, 171 Say Yang Choi Street, Kowloon, merchant. **Li Chun Weaving Factory Ltd.**—Capital: 50,000; 414 Tsun Wan, Kowloon; Subscribers: Sze Chaotung, 51 Leighton Road, Hongkong, merchant; Hui Lam-shun, 34 Ho Peb Village, Tsun Wan, Kowloon, merchant. **Spicers (Far East) Ltd.**—Paper merchants & printers; Capital: 1,000; 203 Victory House, Hongkong; Subscribers: Frederick Edward James, 4 Bisney Villas, Pokfulam Road, Hongkong, merchant; Herbert Rees Baker, Hongkong Club, Hongkong, chartered secretary. **Louis Zeitlin & Sons Ltd.**—Importers & exporters; Capital: 1,000,000; 708 Man Yee Building, Hongkong; Subscribers: Louis Zeitlin, 808 Gloucester Hotel, Hongkong, merchant; Samuel Zeitlin, 809 Gloucester Hotel, Hongkong, merchant. **Dalen Exporters Ltd.**—Importers & exporters; Capital: 100,000; 401 Shaw's Building, Kowloon; Subscribers: Philip Au, 27 King Wah Road, Hongkong, merchant; Chan Ngai, 44 Shun Ning Road, Kowloon, merchant. **Chung Cheong Co. Ltd.**—Importers & exporters; Capital: 1,000,000; 316 Man Yee Building, Hongkong; Subscribers: Lei Yuk Wang, 27 Whampoa Street, Kowloon, merchant; Wong Ying Huen, 31 To Kwa Wan Road, Kowloon, merchant; Lee Yuk Ming, 42 Java Street, Hongkong, merchant. **United Products Ltd.**—Importers & exporters; Capital: 100,000; 905 Great China House, Hongkong; Subscribers: Jark C. M. Chen, 48B Conduit Road, Hongkong, merchant; Chan Wai Mo, 48B Conduit Road, Hongkong, merchant. **Fan Sun Co. Ltd.**—Importers & exporters; Capital: 1,000,000; 122 Connaught Road Central, Hongkong; Subscribers: Liauw Kwi Nji, 104 Macdonnell Road, Hongkong, merchant; Kui Hoa San, 3 Yun Ping Road, Hongkong, merchant. **Shaw-Breakston Productions Ltd.**—Producers of motion pictures; Capital: £5,000 Sterling; Shaw's Building, Kowloon; Subscribers: George Paul Breakston, Peninsula Hotel, Hongkong, motion picture producer; Clive E. Histed, 1, Des Voeux Road Central, Hongkong, solicitor. **Skyllly (Hong Kong) Ltd.**—To deal in estates; Capital: 1,000,000; Subscribers: Robert Eli Low, 2 Queen's Road Central, Hongkong, solicitor; R.E.S. Swinley, 2 Queen's Road Central, Hongkong, solicitor.